

21 August 1964

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WEEKLY SUMMARY

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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(Information as of 1200 EDT, 20 August 1964)

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The Communist World

TONKIN GULF CRISIS

Both Hanoi and Peiping indicated this week that they would react strongly to any further US "aggression" against North Vietnam. It appears, however, that a major increase or repositioning of Chinese armed forces will not result from the US air strike of 5 August.

Civil air raid defense measures in Hanoi reportedly have been increased, and the North Vietnamese have persisted in their charges that US planes are violating their air space. They apparently hope to prove to international audiences that the US is still engaged in a concerted campaign of "aggression" against North Vietnam. For its domestic listeners, however, the regime emphasized that current US activities should not deter North Vietnam from its primary goal of "economic progress." Hanoi is clearly attempting to use the bugaboo of US "aggression" to spur greater industrial and agricultural endeavor from its apathetic populace.

In the apparent hope of inhibiting support by Laos and the Republic of Vietnam for US policy toward North Vietnam, Communist propaganda alluded to the possibility of a broadened military front in Indochina if alleged American activities against the North continued to be staged from Laotian and South

Vietnamese bases. The most forthright statement along these lines appeared in the Japanese press on 13 August in an article by the pro-Communist Australian journalist Wilfred Burchett, who enjoys close relations with Hanoi leaders. Burchett claimed that the "immediate result" of continued "US attacks" would be a "military reunification" of North Vietnam with areas controlled by the Viet Cong and the Pathet Lao. North Vietnam has not repeated Burchett's comments.

The mass protest rallies in China tapered off sharply during the past week, and the inflammatory broadcasts by Chinese regional stations were discontinued. Peiping, however, still tried to keep international attention focused on US "aggression" in Vietnam. Foreign Minister Chen Yi's warning that the crisis was "far from closed" has been widely circulated abroad

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Chen reiterated Peiping's right to "assist the Vietnamese people in their fight," and insisted that the US must be punished for its acts-- "the blood debt must be repaid."

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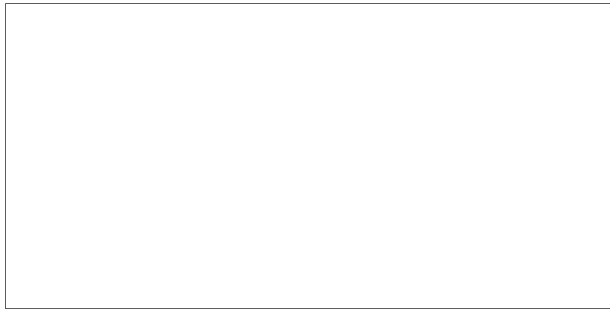
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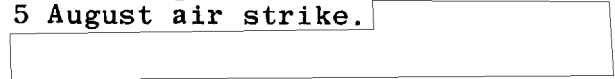
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In contrast to its propaganda focus on appeals to the

Geneva signatories and to the ICC, Hanoi has not permitted the ICC teams in North Vietnam to make any extensive investigation of the events of 2-5 August, and the Polish member of the ICC has cooperated with the usual delaying and obstructionist tactics. The DRV has still not admitted that any significant damage resulted from the 5 August air strike.



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The Communist World

SOVIET REACTION TO THE CYPRUS CRISIS

The USSR has recently increased its pressure on Turkey over Cyprus, but at the same time has carefully avoided any specific commitment of military or economic support of the Makarios government.

This activity is similar to Soviet behavior during previous Middle Eastern crises when the USSR utilized military alert measures such as aircraft and troop movements [redacted]

[redacted] and imprecise public statements to give the impression that military intervention was imminent. This process of diplomatic and propaganda intimidation did not involve any commitment to action, but provided an opportunity for the USSR to claim credit for having forced the "aggressor" to back off.

Moscow probably regards the Cyprus crisis as an opportunity to weaken Western influence in the eastern Mediterranean and to enhance its own prestige in the Afro-Asian world as the supporter of small nationalities oppressed by the West. Since the crisis began last December, the Communist Party of Cyprus has greatly expanded its influence, Soviet prestige has risen sharply in Cyprus, and the southern flank of NATO has been disrupted by Greek-Turkish antagonisms.

These trends--favorable to Soviet interests--have developed

without Moscow's becoming directly involved in the dispute, and Soviet leaders probably realize that direct action could only jeopardize these gains. The USSR almost certainly will not attack Turkey, a NATO power, since this would involve a direct confrontation with the US. Moscow probably also realizes that any effort to provide the Greek Cypriots with significant military materiel would lead to a full Turkish invasion of the island. The USSR, moreover, is probably aware of Greek concern at the drift of the Makarios government toward Moscow and recognizes that a threat of direct Soviet involvement might precipitate enosis (union with Greece).

Moscow will continue to be subjected to Greek Cypriot pressure for tangible evidence of support and may feel the need to demonstrate militancy in the face of Chinese charges of weakness before the West. However, while continuing to encourage Greek Cypriot expectations of Soviet economic and military aid, Moscow will probably maintain its cautious policy of noninvolvement. In pursuing this policy the USSR will probably continue to exert indirect pressure on Turkey and the West in the hopes of influencing the course of events without committing itself to any specific course of action. [redacted]

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The Communist World

CREDITS REMAIN A KEY SOVIET TRADE PROBLEM

Soviet imports of machinery and equipment this year will probably remain at last year's level, but orders for future deliveries have fallen off sharply since late 1963, when Moscow decided to buy \$800 million worth of wheat and temporarily stopped placing other contracts requiring the outflow of hard currency.

The USSR has attempted to use this slackening of orders to lure would-be suppliers into granting long-term credits at low rates of interest. Khrushchev recently stated that the USSR was "filled to capacity with credits for five years, and now accepts credit only for 10 to 15 years." It is evident that this applies not only to newly planned purchases, but to programs that have been under way for some time. The rate of Soviet purchases on credit in the West has risen faster than the rate of total purchases.

The USSR acknowledges that without government guarantees Western financial institutions are not likely to offer credit. It has been trying to get Paris to disregard the five-year Bern Union limitation to which Common Market countries subscribe. Failing this, Moscow has sought a formula that would give the appearance that Paris supported long-term credits for the USSR and was violating the spirit if not the legal provisions of the Bern agreement.

Paris appears to be favoring more flexibility on credit terms, however, in preparation for trade pact talks with the USSR later this year.

Bonn's aversion to credits for the USSR has led Moscow to work chiefly through businessmen. The German Government still has not guaranteed credits to Moscow. The USSR has sought reaffirmation of an Italian line of credit, but domestic economic problems limit Italy's ability to provide any credits.

In Japan, the USSR has worked through private corporations--making contracts contingent on adequate Japanese credit--and has generated pressure on Tokyo to consider extending credits beyond five years.

Willingness to provide loan insurance, however, provides only a steppingstone to other Soviet demands. With the British, whose government is willing to guarantee 15-year credits, the USSR currently haggles over the interest rate, which in order to attract lenders, exceeds six percent.

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The Communist World

USSR CUTS SCHOOL PERIOD TO TEN YEARS

A recent decree calls for a one-year reduction in the present 11-year system of primary and secondary education in the USSR. The change will bring more than half a million additional graduates into the labor force during 1965-66.

The decree is a retreat to the ten-year system which existed before Khrushchev's 1958 school reform, a key provision of which introduced a three-year period of vocational training into Soviet secondary schools. A year will now be removed from this period, and the remaining two years will probably involve less practical training time at the factories. The transition to this new schedule is to be completed by 1 September 1966.

Vocational training was introduced into the curriculum at a time when the USSR was suffering from juvenile unemployment. Graduates unable to squeeze into the few available places at higher schools were unqualified to work in factories or offices. Khrushchev stated in the spring of 1958 that the Soviet school is not "suited to offer practical education"

or to prepare youth for useful labor. "The time has come to reshape radically the entire system of education...."

Last week's decree, along with a similar one in June, which eliminated practical training in colleges and universities, should increase efficiency in many factories where training had interfered with production processes and often disrupted schedules.

The decree will put the growth of the labor force back on its planned target. The 1964 mid-year economic report indicated that the growth of the labor force was lagging behind 1964-65 goals by 0.4 million.

Although the 11-year system apparently has failed, other provisions of Khrushchev's 1958 school reform program have been successful. Eight-year compulsory schooling is now generally in force throughout the USSR, and promotion of part-time education has sharply increased the number of workers attending evening classes or taking correspondence courses.

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YUGOSLAV-US RELATIONS

During the past two weeks, Yugoslavia has attacked the US with unusual virulence, blaming Washington for contributing in varying degrees to the current crises in Vietnam, Cyprus, and the Congo. Belgrade apparently feels that in this way it can enhance its role as a leader of the nonaligned states and verify its identity as a socialist country.

In the process, it seems quite willing to jeopardize its steadily improving relations with the US. After years of Yugoslav-US negotiations, settlements were reached recently on a Fulbright agreement, claims of US citizens for property confiscated after World War II, and Belgrade's pre-war bonded indebtedness to US citizens. Moreover, Belgrade only this month requested 1.2 million tons of US wheat under PL-480 with full anticipation of quick approval.

Although Yugoslav officials have never approved of US actions in Vietnam and only last month indicated innate sympathy for the Viet Cong, initial press reports of the Tonkin Gulf incidents were factual. After evaluating the climate of thought among the non-aligned countries, however, Tito himself led the press in castigating the US retaliatory action

as unjustified, and even attributed the Turkish attacks on Cyprus to the Tonkin Gulf events. The US position in the Congo is characterized by Belgrade as interference in Congolese internal affairs.

Yugoslavia also has become highly critical of US reactions to Castroism, and took the occasion of the recent action by the Organization of American States against Cuba to criticize the US for pressuring Latin American countries to intervene in Cuban affairs. Disapproval of the US on these and other current international issues is conditioned by Belgrade's public position that the US Government is under domestic political pressure to adopt "strong-armed" tactics in its relations with the less-developed countries.

Belgrade's reaction against the US is consistent with the pattern the Yugoslavs have followed during the past ten years. In spite of the economic advantages in maintaining close relations with the US, socialist Yugoslavia can be expected to side with other socialist countries and the more radical nonaligned states against the "capitalist and imperialist" US in crisis situations.

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NORTH KOREA ASSESSING FREE WORLD MARKETS

North Korea is stepping up its commercial contacts with the Free World. Trade delegations now visiting non-Communist countries are showing particular interest in heavy industrial equipment.

Negotiations with Austria, however, for \$30-\$40 million worth of steel manufacturing equipment have bogged down for lack of sufficient financial guarantees for the medium-term credit arrangements.

North Korean trade delegations have recently toured Western Europe, and Pyongyang will reportedly set up trade missions in Vienna and Helsinki. Earlier

this year, North Korean trade and "good will" groups toured Africa and Southeast Asia.

This interest in non-Communist industrial equipment and products probably results from a slowdown in Soviet aid. The USSR, which in the past provided most of North Korea's industrial equipment as part of its \$700-million economic aid program, has apparently reduced assistance for Pyongyang's 1961-65 plan.

However, North Korea's ability to finance large-scale purchases of Western equipment is limited. It is increasing exports of iron ore to Japan this year, but markets for expanded exports of metal products, the country's best potential source of foreign exchange, will not be easy to find. Past trade with the Free World has been at a low level. Most of last year's \$20-million total was accounted for by Japan.

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Asia-Africa

SUKARNO MOVING FURTHER LEFT

Indonesian President Sukarno's independence day speech on 17 August confirmed his accelerated swing to the left during the last 18 months. He charted a course in both international and domestic policy close to that of the Indonesian Communist Party.

Sukarno declared that non-Asians must leave all of Asia, that South Korea and South Vietnam are "not yet free," and he announced that "we condemn as strongly as possible the American attack on North Vietnam."

Regarding relations with the US, he said that he had tried to remain friendly despite repeated evidence of US Government hostility toward Indonesia. He claimed that it is impossible now for Indonesia to remain friendly toward the US if the latter persists in supporting Malaysia.

On foreign investment, he stated that "eventually there will be no imperialist capital operating on Indonesian soil." British businesses will be completely taken over by the government and compensation will depend on London's stand toward the liquidation of Malaysia.

Speaking of domestic matters, Sukarno emphasized that the "retooling" of reactionaries would be carried on without letup and at all levels. He again emphasized his long-standing concept of NASAKOM--the fusion of nationalist, religious, and Communist elements in Indonesian society and government--and stated that whoever opposes

NASAKOM opposes the Indonesian revolution. He implied support of recent Communist land seizures, saying that the "unilateral action" of farmers was understandable in view of the slow implementation of land reform. He lavished praise on North Korean agricultural successes and spoke of "freeing the productive power" of Indonesian villages. This statement possibly points toward a plan for agricultural collectivism.

Although Sukarno did not indicate any specific moves against US interests in the immediate future, the content of his speech suggests that the seizure of the USIS library at Jogjakarta a few days beforehand was coordinated with Djakarta. Other threatened seizures have not materialized. Further demonstrations against US-owned estates in North Sumatra have not developed nor has renewed action against a US tire factory in Bogor, West Java. In both areas, army and police have taken steps to protect American persons and property.

The Communist Party moved immediately to identify itself with Sukarno's speech and to prepare to exploit it in furthering its own program wherever possible. A special statement by party chairman Aidit on 18 August welcomed the speech as "fully in line" with the struggle of the Indonesian and Southeast Asian peoples "at present." Aidit has instructed PKI provincial officials and party members to study the speech so that it can be used to "guide the Indonesian people in their activities."

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Asia-Africa

General Khanh's Military Revolutionary Council (MRC) has formally tightened its hold on South Vietnam's political life. On 16 August, it promulgated a provisional constitution which reorganized the government into separate executive, legislative, and judicial branches. The executive branch is clearly the strongest of the three. The MRC is the appointing authority for the 150 members of the provisional legislative assembly (100 civilians and 50 military) and the supreme judicial council which will select judges subject to approval of the president.

General Khanh is now president of the republic as well as chairman of the MRC. These two positions give him wide powers, but he must act with the approval of the MRC. General Minh, former chief of state and opponent of Khanh, has no official position in the government, although he has been retained as an "adviser" to the MRC.

There has been no clearly defined public reaction to the decrees. About 500 students demonstrated in Hué, where a proclamation was read calling on generals to return to the army and criticizing the frequent

changes of government. In anticipation of the 20-21 August anniversary of Diem's raids on their pagodas, Buddhist leaders published communiqués which denounced recent "anti-Buddhist acts" in Central Vietnam and the continuation of religious prejudice despite the overthrow of the Diem regime.

Viet Cong military attacks declined during the week, but there has been an increase in harassment and terrorism. Two large-scale ambushes occurred in the delta province of Phong Dinh, one combined with attacks on two government posts. A step-up in military activity can normally be expected after the recent three-week lull, but the Viet Cong may also be responding to the 10 August call by the Communist-controlled National Front for the Liberation of South Vietnam for increased activity in order to take part in "liberating the South and defending the North" from the US.

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Asia-Africa

TALKS AMONG LAO FACTIONS SCHEDULED

A tripartite meeting of the three Laotian factions is scheduled for 24 August in Paris. The outcome of these talks, however, is highly problematical.

The agenda itself may prove a sticking point. Pathet Lao chief Souphannouvong has stated that "no condition should be posed which would prevent a subsequent 14-nation conference from taking place." Premier Souvanna, however, is on record as wanting to discuss conditions for an international conference, including Pathet Lao withdrawal from territory in the Plaine des Jarres occupied last May. It is unclear how flexible Souvanna is on his conditions.

The composition of a combined Laotian delegation to a Geneva conference could also produce an impasse in the talks. At Paris, Souphannouvong may insist that Souvanna is now a representative of the right wing and has forfeited his claim to speak for the neutralist faction at an international conference. Souphannouvong will probably at least demand that

"true" neutralist representatives be included in the neutralist portion of the Laotian delegation to a Geneva conference. He declared on 16 August that pro-Communist "genuine" neutralists should take part in future negotiations and that "their opinions must be respected." Souvanna, however, is unlikely to accept any infringement on his position as neutralist leader and spokesman.

The military situation in Laos has been quiet since the government's successful offensive in the Phou Koun - Muong Kassy areas. Government forces are now engaged in a clearing operation southwest of Muong Kassy against Communist troops who were dislodged from their positions along Route 13 during the offensive.

The Communists are putting up heavy antiaircraft fire against the continuing T-28 air strikes. On 13 August a T-28 was shot down over Phou Kout hill, and on 18 August another T-28 was downed south of Xieng Khouang. Four Lao T-28s have now been shot down by enemy ground fire since the recent outbreak of fighting in Laos.

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A new constitution makes the executive branch, with General Khanh at its head, the strongest in the government, although the Military Revolutionary Council retains general authority. Viet Cong activity has increased slightly.	
TALKS AMONG LAO FACTIONS SCHEDULED	10
Laotian leaders are to meet in Paris on 24 August, but there is likely to be sharp disagreement even over the agenda. There has been a lull in military activity.	
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INCREASING COMMUNIST ACTIVITY IN MAURITIUS	13
A rising volume of propaganda and labor and youth agitation, much of it carried on by Chinese Communists, aims at exploiting racial divisions and economic difficulties as the island moves toward independence.	
DEVELOPMENTS IN THE CONGO	15
The military situation has taken another turn for the worse, as a rebel attack has penetrated Bukavu and the Kwilu rebels are again on the march. Government forces still have the upper hand in Katanga.	

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AREA NOTE

Yemen-Aden: In Aden, dissident activity against the British has intensified. The rebels evidently are receiving considerable aid and direction from the Egyptians in Yemen. The rebels' planning and coordination has improved, and they are using more sophisticated weapons--light machine guns, mines and mortars. The Sultan of the Aden Protectorate

state of Fadhli, who last month denounced British rule in Aden and defected to Cairo, is now in Yemen where the Egyptians presumably plan to put him in contact with the Adeni rebels. He has been joined by other defectors from Fadhli and could cause the British considerable trouble if he leads a dissident movement in Fadhli.

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Asia-Africa

AREA NOTE

Lebanon: The prolonged uncertainty in Lebanon over whether President Shihab would serve a second term was finally resolved on 18 August with the nearly unanimous election of Charles Hilu as the country's fourth president.

The balloting by Parliament took place without incident, and prospects for a peaceful transition appear good. If trouble is avoided, it will be the first time in Lebanon's brief history that a new president has taken office without turmoil among the country's mixed Christian and Muslim population. Hilu will start his six-year term on 23 September.

The 51-year-old Hilu was chosen because he was not strongly opposed by any of the parties concerned. His qualifications otherwise are not outstanding, despite his lengthy experience as a cabinet member, government official and diplomat. In Lebanon, however, a controversial personality generally seems less effective as a president than a moderate man who can remain neutral amid the

maneuvering of the numerous religious and political groups. Whether Hilu can maintain the required balance is open to question. He presently has the necessary support of the Muslim community, strongly suggesting that he also is acceptable to Nasir, a powerful influence among Lebanese Muslims. In addition, Hilu evidently had Shihab's support, indicating that restless elements in the army are reasonably satisfied with the choice.

Christian leaders such as former President Shamun and the Maronite Catholic patriarch are probably the least enthusiastic group. Their satisfaction with Hilu will depend on how well they believe he is protecting Christian interests against the "inroads" of Muslim and pro-Nasir elements.

Hilu, a Christian as required by Lebanese presidential tradition, is pro-Western and, like many Lebanese, a Francophile. A French-educated lawyer, he also was a journalist before entering government service.

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INCREASING COMMUNIST ACTIVITY IN MAURITIUS

Communist activity in the largely self-governing British Indian Ocean colony of Mauritius has recently been diversified and stepped up. The Communists, particularly the Chinese, probably hope to exploit the deep racial tensions and growing un-

employment after the island attains independence, possibly in the next year or two.

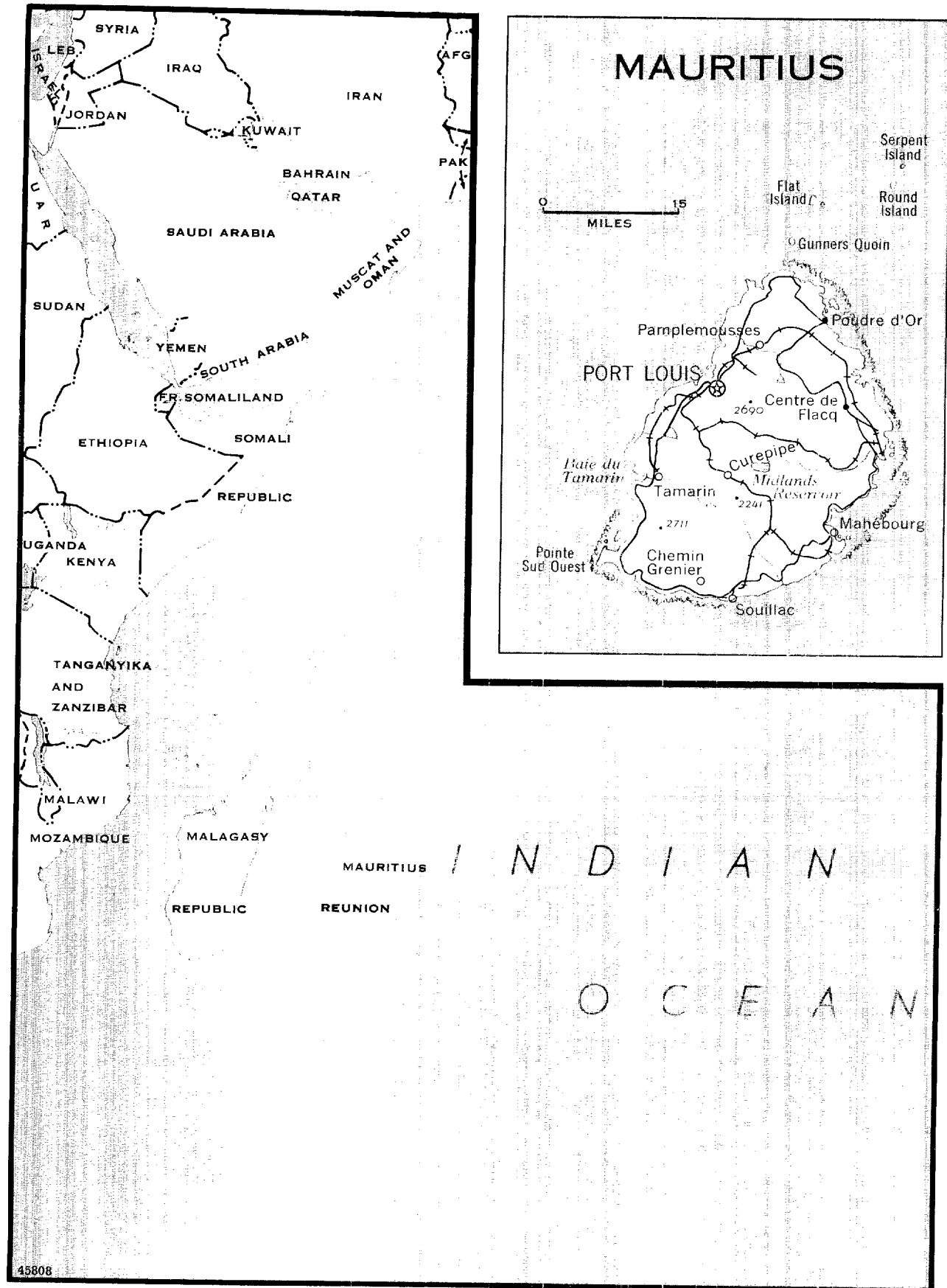
With nearly 700,000 people for its 720 square miles, Mauritius is one of the most densely populated agricultural areas of

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the world. Seventy percent of this population consists of Hindu and Muslim laborers who are hated and feared by the white oligarchy of French descent which controls the sugar industry, and by some 200,000 Africans. The latter community dominates the civil service.

Cheap propaganda literature --in French, English, and Chinese--is being distributed in increasing volume through a well-organized network. [REDACTED]

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[REDACTED] More than half the population is under 20 years of age, and is the obvious target of this propaganda. It is from their ranks, which include the restive, semieducated Indian and Chinese youth who are unable to find the white-collar jobs they think they deserve, that the next generation of political leaders will come.

Communist agitators, moreover, have begun to incite the poverty-stricken Hindu agricultural workers into nuisance strikes. The Hindus harvest the sugar cane which covers 93 percent of the cultivated land and accounts for 98 percent of the island's exports. The leader of the agricultural workers is a notorious Communist.

Communist youth associations are expanding their operations, and the USSR is offering

70 scholarships to Lumumba University. About 25 students from Mauritius are in Moscow now, while [REDACTED] there are at least 200 Mauritians studying in China and some in East Germany. Two recently departed for Cuba. There is also considerable movement of Chinese families, businessmen, and tourists to and from Communist China. About 20 percent of the island's Chinese community of 25,000 are suspected of actively supporting Peiping.

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The present administration of Chief Minister Ramgoolam, an Indian, will lead the island to independence. Although Ramgoolam is regarded [REDACTED] as responsible and reasonable, he has neutralist tendencies and Communist friends, including the leader of the agricultural workers. [REDACTED]

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Asia-Africa

DEVELOPMENTS IN THE CONGO

The military situation in the Congo has taken a sharp turn for the worse. Government gains in the south have been offset by the apparent rebel capture of Bukavu, on the Rwanda border, and the resurgence of the rebellion in Kwilu.

As of 20 August, parts of Bukavu were still in government hands, but the fall of the city appeared imminent. Many of the rebels are Tutsi refugees from Rwanda. Some of the 60,000 Tutsis in the province have long been associated with the rebellion and many more apparently joined the rebels after Premier Tshombé ordered their expulsion from the Congo on 18 August. Rwanda has been preparing for a Tutsi attack and, if Bukavu should fall completely, an invasion almost certainly will occur.

In Kwilu, some 8,000 rebels are converging on Kikwit, the provincial capital, about 225 miles east of Leopoldville. Only one battalion of government troops is available in Kwilu, and it is doubtful that they can stop the insurgents. Other rebel bands are still advancing toward Luluabourg from the east.

strengthening their hold on the city through psychological and military pressures, and "popular measures" including the forced sale of beer at low prices. Congo Army forces are regrouping down river at the town of Bumba.

At the same time, however, there is increasing evidence that the rebel leadership in the eastern Congo is beginning to fragment. Rebel leader Soumialot's military chief, "General" Olenga, who more than anyone else was responsible for the rebels' capture of Stanleyville, has been issuing a series of manifestos and pronouncements--all of which omitted mention of Soumialot's name. This may indicate Olenga is trying to usurp rebel leadership.

In Katanga, government forces continue to have the upper hand. A government column, accompanied by three Belgian officers, has captured the rail center of Kabalo, due west of Albertville. News of the capture might induce already frightened rebels to flee Albertville, the former seat of Soumialot's "Provisional Government of the Eastern Congo."

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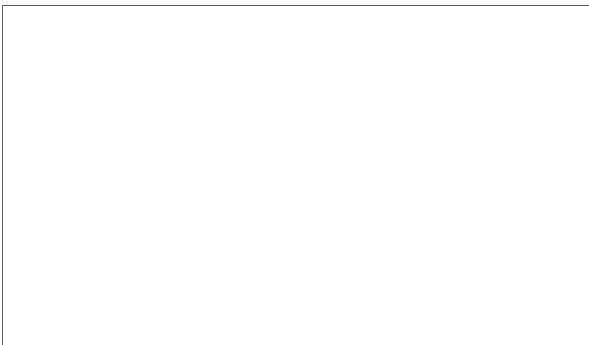
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Premier Tshombé's anti-rebel plans are beginning to take form.



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Additional Belgian military "technicians" apparently will be sent unofficially and may be committed in small numbers to stiffen

ANC forces. Five US-supplied B-26 bombers arrived in the Congo this week to join the small government force of T-28s and T-6s.

Already strained relations between the two Congos continue to deteriorate, exacerbated by polemics between Brazzaville officials and Tshombé. An official Brazzaville communiqué called Tshombé an "assassin in power" and said disorder was institutionalized in Leopoldville.



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Europe

MALTESE POLITICAL DEVELOPMENTS

New difficulties over amending the draft constitution and the problem of NATO relationship may impede Malta's independence now scheduled for 21 September. The Colonial Office in London will not announce the Maltese independence date until the Borg-Olivier government agrees to amend the new constitution to meet British objections.

Specifically, London seeks to eliminate the discrimination against non-Catholics in personal religious matters--including marriage, divorce, and burial--now embodied in the new constitution proposed for Malta. London has been pressing the Maltese Government to agree to this and has the full support of the apostolic delegate in London and of the Maltese church. Although Prime Minister Borg-Olivier was initially willing to comply with London's request, the Colonial Office now reports a "general reluctance" among Maltese politicians to make the necessary changes. The

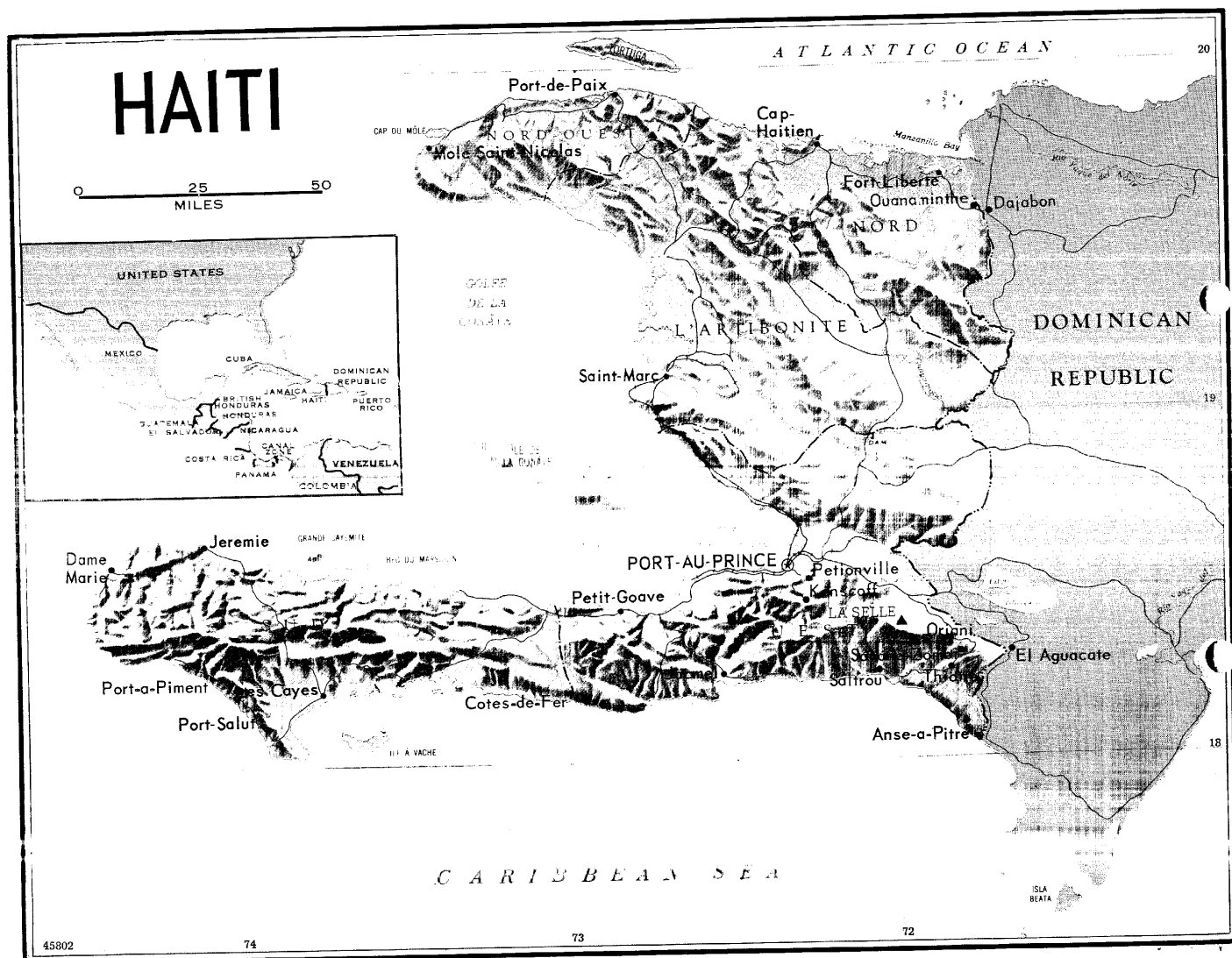
matter could be politically embarrassing to the Douglas-Home government in this pre-election period if the Maltese persist in their attitude.

With respect to Malta's postindependence relationship with NATO, Borg-Olivier has been pressing hard for full membership in the alliance. NATO, however, is apparently reluctant to accept this, and the British consider it impracticable. They point out that Malta could handle only a limited role, and is far from being economically and politically stable.

NATO members generally agreed at their special 12 August meeting that there should be a permanent agreement linking Malta with NATO, but there was no unanimity on the form this should have. Rome is sounding out NATO countries on the possibility of transferring the NATO Command Headquarters on Malta to Naples.

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Western Hemisphere

HAITIAN GOVERNMENT'S ANTI-REBEL ACTIONS STILL INEFFECTIVE

The Haitian Government has still not taken effective action against the two rebel groups operating in the southern part of the country.

One rebel group near the Dominican border has successfully surprised government forces on several occasions and caused some 20 casualties. These rebels have also attacked several towns, burning small army quarters in the process.

The other rebel group is operating in the Jeremie - Port-a-Piment area and apparently still evades and confuses Duvalier's forces.

In an apparent effort to cover up its military failures, the government has displayed a mutilated body in Port-au-Prince --allegedly that of the leader of the Jeremie group. There is no evidence to support this claim or the assertion that several other members of the Jeremie band have been killed by government forces.

An arms purchasing mission left Port-au-Prince last week for Panama and Nicaragua.

In Port-au-Prince, President Duvalier continues his repressive measures. He has, for example, ordered the arrest of entire families in the Jeremie area as hostages for relatives alleged to be among the rebel invaders. Such punitive actions cow the populace and help deter any possible impulse to rise against the government.

Duvalier's grip on the country therefore remains strong, and unless new and larger scale rebel landings take place, the government will probably overcome the small bands presently active. The financial burden of fighting them, however, is relatively heavy. This factor, plus the regime's lack of complete support from its troops, army and militia, will tend to slow the process of pacification.

On the international front, Haiti is preparing to file a complaint against the Dominican Republic before the UN Security Council for allowing exiles to cross its borders.

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Western Hemisphere

THE DOMINICAN REPUBLIC'S AUSTERITY PROGRAM

The provisional government of the Dominican Republic is attempting to win support for the second phase of its austerity and exchange stabilization program. To acquaint the public with the gravity of the advancing economic crisis, Triumvirate President Donald Reid Cabral has delivered a series of television and radio speeches explaining his corrective program.

During 1964 a sharp rise in imports and foreign debt repayments has coincided with a drop in the price of sugar--the principal Dominican export. The resulting balance of payments deficit seriously threatens the convertibility of the peso. Arrears in foreign commercial accounts currently total about \$60 million. About one third of the labor force is unemployed, and more will be as the slack season in the sugar industry approaches. Political instability, moreover, has discouraged private investment and promoted a sizable capital flight.

The first phase of the austerity program in April and May, involving increased customs duties on consumer goods, failed

to reduce these imports appreciably. Reid has now announced three new taxes designed to reduce imports and provide funds for an intensive program to increase agricultural production. Agreements have been reached with the International Monetary Fund, a group of New York banks, and the US Government, for an estimated \$55 million in medium-term loans and grants. Reid has also promised to reduce nonproductive government expenditures and improve customs collections.

The public at large, including the military, appear to recognize the necessity for the program, but criticism is centering around one measure, that of increasing social security contributions. On 17 August the labor arm of the Revolutionary Social Christian Party (PRCS), and several business interests, attempted to foment a general strike. The government has declared the strike illegal and threatened to deport its leaders. Opportunistic politicians and affected business groups can be expected to take advantage of the hardships imposed by this program in their continuing efforts to oust the regime.

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Western Hemisphere

ANTI-GOVERNMENT ACTIVITY IN BOLIVIA

Guerrilla activity in Bolivia's Santa Cruz Department and unrest among tin miners continue to plague President Victor Paz Estenssoro.

The armed forces have taken over the counterinsurgency effort in the troubled San Ignacio-San Simon region of Santa Cruz Department from the national police. Police units failed to wipe out the guerrillas in early August, encountered two ambushes, and created additional antigovernment sentiment by pillaging. Army commanders are optimistic about crushing the dissidents, but the efficiency and competent leadership of the guerrilla band suggest the campaign may be a long one.

Communist and Falangist mine union leaders again called for armed insurrection, and demanded a popular government headed by Lechin. Some 2,500 militants turned out for an antigovernment demonstration in La Paz on 13 August--the largest number opposition leaders have been able to muster for some time.

Paz is also having his troubles within the party and government. Pro-Paz forces won by only a very narrow margin in the 4 August election of officers for Congress against a surprising degree of united opposition.

Party leaders, opposed to a break with Cuba, managed to maneuver Paz into a difficult position regarding timing of the formal announcement. Paz' implication in the Lechin beating and the attempted assassination of Vice President Barrientos on 14 August--the fifth attempt within a year--has created public resentment against Paz and other government officials. Barrientos feels that unless the lawlessness is quickly stopped, it could grow into a serious situation.

Antigovernment demonstrations and violence erupted in the mine areas last week in protest against the beating of Lechin by Paz' political police.

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