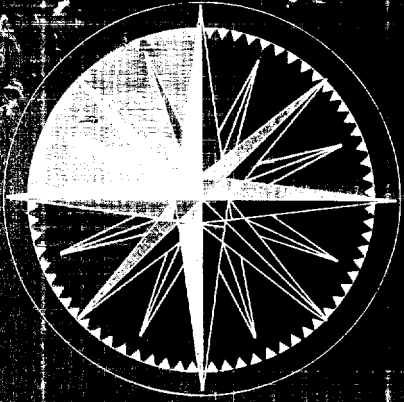


25 September 1964

OCI No. 0350/64

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# WEEKLY SUMMARY

## CENTRAL INTELLIGENCE AGENCY

### OFFICE OF CURRENT INTELLIGENCE

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State Dept. review  
completed

DIA review  
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GROUP 1 Excluded from automatic  
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## C O N T E N T S

(Information as of 1200 EDT, 24 September 1964)

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The Communist World

## COMMUNIST REACTION TO THE TONKIN GULF INCIDENT

The Asian Communist response to events in the Tonkin Gulf on 18 September has been primarily defensive. Both Hanoi and Peiping reacted promptly with a coordinated propaganda effort which reflected fear that the US might launch a retaliatory strike and appeared designed to inhibit such action.

Hanoi's radio began at once to deny that the North Vietnamese had been involved in the incident and charged that the US was trying to manufacture a new pretext for an attack. North Vietnam lodged an immediate complaint with the ICC and the Geneva co-chairmen. Peiping immediately supported North Vietnamese accusations that the US had "engineered" the incident in order to justify expanding the war in Indochina. A People's Daily editorial broadcast by NCNA on 19 September cited the latest US "fabrication" as

"proof" that the US is planning new blows at North Vietnam and called on "peace-loving people the world over" to oppose such moves.

Moscow reacted calmly to the latest incident, repeating its assertions that provocative patrolling in the gulf by the US 7th Fleet is a constant source of incidents and armed conflicts. A TASS release on 21 September stated that "authoritative circles" in the USSR demanded termination of the Desoto patrols. TASS endorsed Hanoi's contention that the naval encounter was fabricated, and claimed that the US must bear full responsibility. A 21 September commentary repeated Khrushchev's 27 August remark that North Vietnam "belongs to the mighty camp of socialism and all the socialist states will rise to its defense."

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The Communist World

## AREA NOTES

The USSR UN Debt: The Soviet leaders appear confident of defeating any US-inspired action under Article 19 of the UN Charter to deprive the USSR of its vote in the General Assembly because of its financial arrears. They probably believe that the desire of many Afro-Asian members to avoid a showdown will prevent any penalizing of the USSR.

Khrushchev took advantage of a talk with Indian journalists on 18 September to reiterate the USSR's unwillingness to compromise on its long-standing refusal to pay assessments for "illegal" UN peace-keeping operations in the Middle East and the Congo. In contrast, however, with earlier Soviet efforts to stimulate concern that action against the USSR might lead to a Soviet withdrawal and the collapse of the UN, Khrushchev reportedly denied any intention to withdraw.

Moscow/Geneva: Following the recess of the 18-nation disarmament talks in Geneva last week, Moscow predictably and routinely blamed the West for the failure to reach any concrete agreements. Since the talks resumed in January, however, Soviet officials had privately made it clear that they regarded the session as largely a holding operation until after the US elections in November. Moscow used the session primarily as a forum for attacking Western plans to set up a NATO multilateral force (MLF). The Soviets repeatedly stressed that the MLF was aimed at giving Bonn access to nuclear weapons and argued that establishment of the MLF would preclude an agreement on the non-dissemination of nuclear weapons.

This more moderate stand may reflect a belief that heavy-handed pressure would only antagonize UN members and deflect attention from Soviet charges that the US is ready to risk "great and even irreparable damage to the UN" in order to embarrass the USSR. The Soviets undoubtedly are aware of the sentiment reflected in private remarks by Tunisian delegate Slim that there is a "wide consensus" in the UN in favor of avoiding a confrontation this fall. He said that if the issue came to a vote the US "would be surprised" at the "very large number of abstentions and small number of states voting with the US" on this issue. Slim suggested introducing a resolution at the opening of the session which would instruct the Assembly president to name a committee to negotiate with countries in arrears and report in January.

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There is good evidence that several of the nonaligned delegates were impressed with this argument.

Although Soviet leaders did not consider the time ripe for reaching any agreements in Geneva, they seemed to value the opportunity for East-West dialogue, particularly the private meetings between the US and Soviet co-chairmen. When the talks resume--probably in early spring--Moscow may well use these private meetings to surface new proposals on such issues as reduction of foreign troops in Europe and on non-dissemination. Khrushchev's call for disarmament on the basis of "mutual example" will probably be resurrected.

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The Communist World

**YUGOSLAV PARTICIPATION IN CEMA**

The 17 September agreement by the Council for Mutual Economic Assistance (CEMA) to grant Yugoslavia limited participation in its activities underscores CEMA's shift away from supranational economic planning. The agreement shows that, despite the intensifying Sino-Soviet conflict, Moscow intends to pursue its policies in Eastern Europe within a fairly pragmatic, loose framework.

Negotiations on this agreement began in July 1963. Two months later Khrushchev publicly acknowledged that Yugoslavia practiced an acceptable form of socialism. Some of the Eastern European members, however, were apparently reluctant to grant "revisionist" Yugoslavia any further sign of socialist acceptability.

Yugoslavia probably expects to derive certain technical benefits from participation in the work of six of CEMA's permanent commissions. These deal with foreign trade, currency and finance, coordination of scientific and technical research, ferrous and nonferrous metallurgy, machine building, and chemicals.

Yugoslav representatives will be able to attend meetings of these commissions and to vote on matters which affect Yugoslavia. They can also, "if necessary," take part in sessions of CEMA's council and executive committee when these bodies deal

with matters of concern to their country. Recommendations of CEMA organs are not binding on the members until adopted by the individual government.

In practical terms, the agreement is unlikely to lead to any sharp change in Yugoslavia's trading pattern, primarily because Yugoslavia has little use for more bloc goods. About a quarter of its trade in recent years has been with CEMA countries.

Yugoslavia will, moreover, continue to favor trade with Western countries chiefly because of the benefits it derives, its heavy reliance on Western economic assistance, and its interest in avoiding undue economic dependence on the USSR and Eastern European countries.

Belgrade is now in the unique position of enjoying a limited status in the economic coordinating organizations of both Eastern and Western Europe. It became an observer in the Organization for European Economic Cooperation (OEEC) in 1955, and retained the same status in this body's successor organization, the Organization for Economic Cooperation and Development (OECD). Tito will undoubtedly see his ability to play a role as a bridge between East and West enhanced by his new role in CEMA.

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The Communist World

**YUGOSLAV INVOLVEMENT IN EASTERN EUROPEAN AFFAIRS**

Tito apparently considers that the present state of mixed Eastern European feelings toward Khrushchev's mid-December conference offers a fine opportunity to expand Yugoslavia's influence in the European Socialist community. Since last June, Tito has busily been talking with Khrushchev and all the Eastern European leaders except Bulgaria's Zhivkov.

Yugoslavia's ineligibility to attend the conference probably makes the time seem even more propitious to Tito to reaffirm privately his rejection of Moscow's right to exercise central authority over the Communist movement.

Moscow possibly anticipated Tito's activities and their potential repercussions. In an 8 June meeting with him in Leningrad, Khrushchev probably explained Moscow's intention to press for a preparatory conference of Communist parties this year. Khrushchev certainly would hope that by keeping Tito informed and reassuring him that no actions prejudicial to Yugoslav interests were planned, he could cause him to mute any expressions of opposition to such a meeting.

[REDACTED] Rumanian Premier Maurer's early July trip to Moscow which resulted in a toning down of public Soviet-Ru-

manian polemics, was probably due in part to Tito's intercession following his meeting with Khrushchev. Tito met with Rumanian President Dej on 22 June to urge caution and moderation in his defiance of Moscow.

He met again with Dej on 7 September--the third time in less than a year [REDACTED]

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Tito met with Gomulka in Poland in late June and with Kadar in Hungary in mid-September. With Gomulka at least, Tito had little difficulty in tailoring his approach so as not to conflict with Gomulka's proposal for preparatory work to arrange an international Communist conference. He was visited by East Germany's Ulbricht on 19 and 20 September, and is presently host to Czechoslovakia's Novotny. The talks apparently led to some expansion of economic and cultural relations with both the Poles and the Hungarians, and this is also an aim of the present consultations with Czech officials. The talks with Ulbricht were undoubtedly hampered by Belgrade's continuing interest in economic relations with West Germany.

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## NEW SOVIET-INDIAN ARMS DEAL

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The Communist World

Indian Defense Minister Chavan's recent visit to Moscow produced two tangible results: a pact covering an estimated \$50 million worth of Soviet military equipment for India, and final arrangements for producing MIG-21 jet aircraft in India. With the \$100-million credit apparently involved in the MIG deal, the value of these transactions approximates that of India's past military credits from the USSR.

Chavan's mission was as noteworthy for those items not purchased as for those that were. Moscow had indicated willingness to discuss, and did display, all the military equipment which India seeks. The Indian mission, however, did not commit itself on artillery or naval craft--including a submarine which India wants because Pakistan has one. The British offers of naval aid, made just prior to Chavan's departure for Moscow, presumably will now be investigated. The Indian mission also did not purchase additional surface-to-air missile (SAM) battalions

New Delhi's purchases were limited to more aircraft and what was described as a onetime order for light tanks. Most of the equipment will be delivered during 1965.

The MIG factory now is scheduled to begin "production" (six per month) in mid-1967. It is being emphasized, however, that the process will be essentially assembly, and even though eventually many of the parts are to be produced in India, production will always depend on some imported components.

Political considerations were an important factor in the Indian decision to press forward on arms deals. Even before the Chinese attack in October 1962, the Indians viewed Soviet military aid as evidence of tacit Soviet support in India's developing quarrel with China. Indians believe the aid contributes to the Sino-Soviet rift, thus helping to weaken China's hand in Asia. New Delhi also hopes, on the eve of its first nonaligned conference without Nehru, to re-emphasize India's posture of nonalignment by balancing the continuing large-scale military aid Chavan recently negotiated in Washington with equipment from Moscow.

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Asia-Africa

**ISSUE OF RELATIONS WITH JAPAN STILL PLAGUES SOUTH KOREA**

The Seoul government's failure to win public confidence remains the major obstacle to renewing negotiations for normal relations between South Korea and Japan. The public retains considerable emotional bias against the Japanese.

South Korean President Pak Chong-hui wants the economic benefits of a settlement with Japan, but fears he might incur renewed charges of "selling out" to the Japanese. Opposition elements used the issue last spring to incite student demonstrations which forced a suspension of negotiations and nearly toppled the government. If Pak renews negotiations, his opponents would probably raise another political storm, and the government is still not strong enough to weather such a development.

Seoul's recent threats to seize more Japanese fishing boats operating off Korea probably are intended primarily to convince the Korean public that Pak's government is vigorously protecting the national interests. Seoul probably also wants to warn the Japanese that fishing too close to the Korean coast cannot be tolerated. Such threats, however, strengthen the popular conviction that the Japanese are forever in the wrong, and make

it even more difficult for Pak to resume talks. His government has only half-heartedly tried to educate the public about the economic, political, and strategic benefits of normal relations.

The negotiators were close to agreement last March, and probably could reach a settlement without great difficulty if the political hurdle in South Korea could be overcome. Tokyo agreed almost two years ago to settle Korean financial claims--the paramount question for Seoul--promising grants and loans totaling \$600 million. Since then, the Japanese have been waiting for the Koreans to come up with a satisfactory fishing agreement that Seoul could also sell at home.

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Asia-Africa

**SOUTH VIETNAM REGIME FACES NEW DOMESTIC TROUBLES**

The Khanh regime is moving cautiously toward restoring civilian government. New symptoms of internal dissension have appeared, however, at the same time that Saigon faces an increase in Viet Cong military activity.

General Minh, the nominal head of state, has been charged with selecting members of the Supreme National Council which is to be the nucleus for future civilian rule. A tentative slate of "responsible citizens" has reportedly been drawn up by Minh for release this week.

Meanwhile, however, various groups have demonstrated their ability to frustrate the government's programs. Tran Quoc Buu's Vietnamese Labor Confederation, South Vietnam's largest labor organization, initiated what was to be a 48-hour strike on 21 September. Although the strike was called off the same day, Buu's confederation effectively stopped electric, transport, water, and communication services. On 23 September, 3,000 workers in Bien Hoa Province struck against French-owned rubber plantations, demanding increases in wages and rice allotments.

An uprising occurred among "montagnard" paramilitary units in Darlac and Quang Duc provinces on 20 September. Some Vietnamese Popular Force members were killed, and the dissidents temporarily seized the radio station in the capital of Darlac Province. Some US advisers are being held as hostages. The situation could erupt again if the government does not meet some of the more legitimate demands of the tribal groups involved in the uprising, which may have been inspired in part by the Viet Cong. On 24 September, General Khanh flew to the Darlac Province capital to try personally to settle the problem.

The Viet Cong have stepped up their military and terrorist activity in what appears to be a nationwide attempt to capitalize on the precarious position of the government. Last week's total of 975 incidents is the second highest recorded. The greatest increase has been in terroristic activity against the civilian population, although incidents of road and rail sabotage are the highest since early last year.

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Asia-Africa

## AREA NOTE

Laos: Talks among the three princes have broken down over terms for another 14-nation conference on Laos. Second-echelon negotiations are to continue in Paris, but it is unlikely that any significant accord will result unless there are major shifts in the military or political balances.

Rightist regular and guerilla forces meanwhile are continuing to register advances against Pathet Lao and dissident neutralist positions in the region southeast of the Plaine des Jarres. Communist forces already have evacuated Tha Thom in this area and other positions reportedly are under severe pressure. Preliminary interrogation of three North

Afghanistan: An extraordinary convocation of Afghan leaders this week gave King Zahir Shah and Prime Minister Yusuf a mandate to push ahead with their program of moderate reforms. After ten days' debate, the Loe Jirga approved a new constitution, including a clause which bars members of the royal family from the cabinet and thereby blocks the leading opposition figure--the King's cousin, former prime minister Daud--from legally returning to office.

Although even the more controversial of the government's

Vietnamese soldiers recently captured near Tha Thom reveals continuing support by Hanoi for Pathet Lao operations in the Plaine des Jarres area.

In the Vang Vieng region north of Vientiane, Pathet Lao forces also remain under pressure from rightist clearing operations. Cut off from overland resupply for almost two years, substantial numbers of Pathet Lao troops have gone over to the government side. It is not clear, however, whether those who have defected in this way are acting under Pathet Lao orders or whether they represent genuinely disaffected elements within the Pathet Lao army.

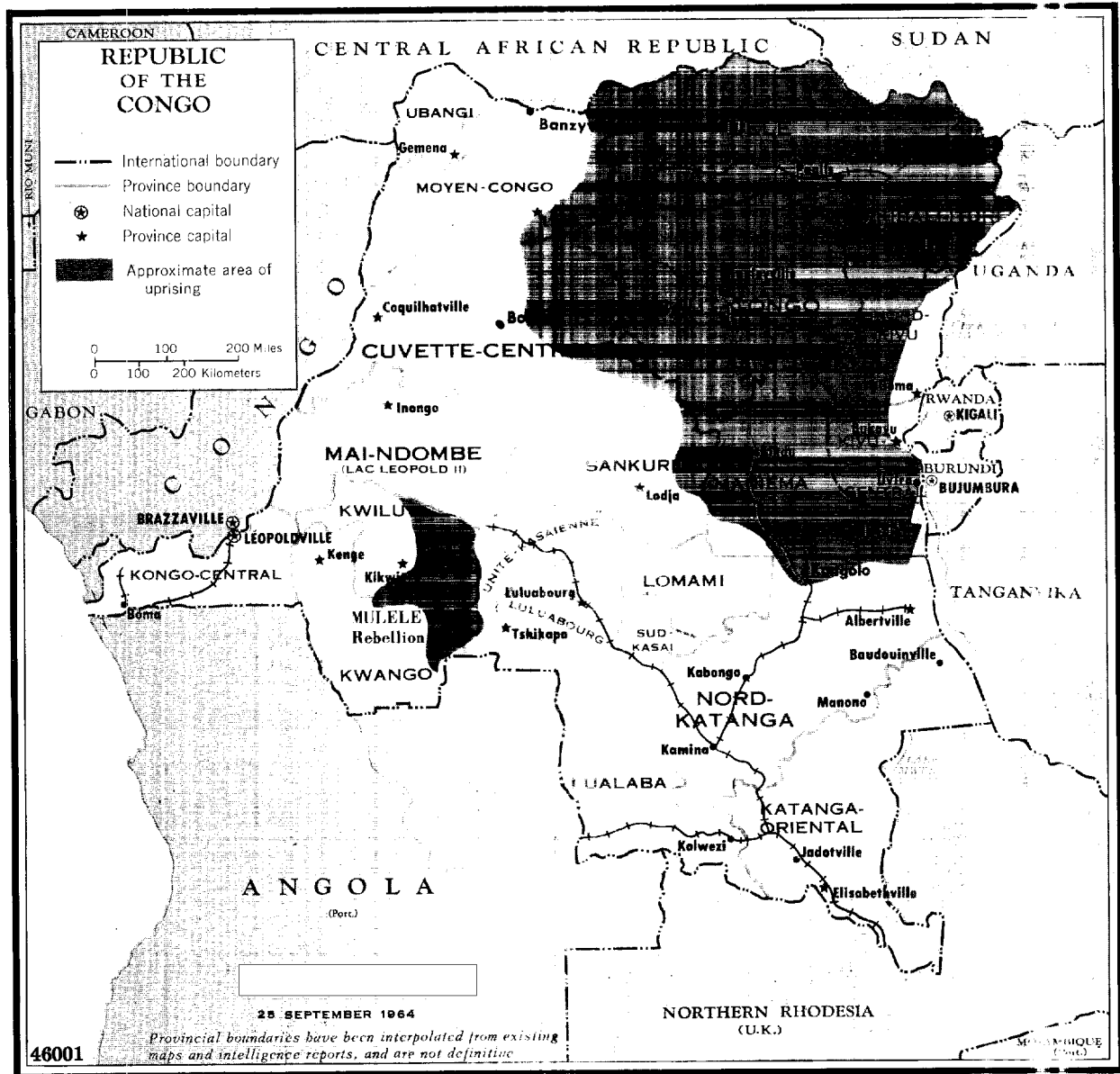
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proposals passed, conservative elements occasionally put up stiff opposition. The conservatives, for example object to modernizing the judicial structure and broadening political rights of women. The government can be expected to move with some caution in carrying out such reforms.

In foreign affairs, the convocation approved the government's less militant policy on "Pushtoonistan"--the longstanding demand that Afghan-related tribesmen living in Pakistan be given the right of self-determination.

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Asia-Africa

DEVELOPMENTS IN THE CONGO

The Organization of African Unity (OAU) Congo conciliation commission held its first formal session in Nairobi from 18 to 22 September. Anti-Tshombé Ghana, Guinea, and Egypt, aided by OAU Secretary General Diallo and some Kenyans, successfully focused the commission's attention on "foreign intervention" and the touchy issue of "national reconciliation" within the Congo. Tshombé, consequently, lost some of the political ground he had gained earlier in the month at the more representative OAU conference in Addis Ababa.

In addition to pressing Tshombé hard to accept a cease-fire and to negotiate immediately with Congolese rebel elements, the radicals engineered invitations to Stanleyville leaders Gbenye and Soumialot to come to Nairobi.

On 22 September, after Tshombé had left Nairobi, the commission heard several lesser rebels already there, including

Thomas Kanza, Gbenye's "foreign minister." Immediately afterward the commission announced it was sending a "ministerial mission"--composed mainly of radical representatives--to see President Johnson about "restraining the supply of war materials" to the Congo. The radicals clearly hoped to bring pressure on the US to reduce its military support for Tshombé and to persuade him to cease military operations and come to terms with the rebels.

The US, however, has declined to receive the commission while Tshombé and Congo President Kasavubu have accused it of exceeding its mandate and infringing on the Congo's sovereignty. Kasavubu has even threatened to have no further dealings with the OAU.

Rebel resistance in the north seems to have halted government military advances there.

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Asia-Africa

[REDACTED]

On the south side of the Congo River, government forces apparently have met strong resistance in the Boende area.

Farther south, however, government units continue to advance. At least two Congo Army columns are heading toward Kindu, capital of Maniema, where the rebel-controlled population is reported to be increasingly restive. The government force below Uvira still seems to be stalled. [REDACTED]

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**THE CYPRUS ISSUE**

Cyprus continues to be generally quiet. Most of the activity connected with the island's problems is in the UN and Moscow. The mandate of the UN forces in Cyprus is due to expire on 26 September, and a UN Security Council resolution to extend it is still under discussion.

In Moscow, the Greek Cypriot delegation, which arrived on 11 September, is continuing its talks with Soviet officials. There has been no clear indication of details. It is highly doubtful, however, that Makarios will get a firm pledge of military and diplomatic support. The over-all picture of the Cypriots' 19 September conversation with Khrushchev which is given by Pravda suggests a fairly routine discussion of questions of economic aid, not of urgent negotiations over a critical situation which might require a Soviet military commitment.

The tight encirclement of the Turkish Cypriots on the small Kokkina-Limnitis bridgehead in Cyprus and the pending rotation

of part of the authorized 650-man Turkish Army contingent continue to offer the possibility of trouble. Any miscalculation by opposing forces or an outburst generated by Turkish Cypriot frustration at Kokkina could lead to a serious incident in this area.

The Turks insist that the rotation must take place before the end of the month and show no inclination to extend the voluntary postponement. [REDACTED]

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A plan to carry out the rotation under UN supervision is still under study in New York.

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Europe

## ITALIAN POLITICAL DEVELOPMENTS

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The Moro government's stability appears to be threatened as a result of Christian Democratic factional infighting over the control of the party and the direction of its policies.

The party's largest faction (the Dorotei) failed to win a clear majority at last week's party congress and there is pressure for a Dorotei-Fanfaniani alliance to control the party's new 23-member directorate which is to be named on 27 September. Such an alliance would exclude the two left-wing factions--long the strongest Christian Democratic supporters of the center-left concept--and would seem to represent a victory for those in the party who oppose most of the government's reform program.

Should this materialize, it would probably be preliminary to forcing out Premier Moro, who controls only about 25 percent of the Dorotei faction. In fact, with his position thus weakened Moro might feel obliged to resign. The US Embassy in Rome reports that Moro gave a "shockingly bad" performance at the congress; he was obviously tired and perhaps even ill. The possibility cannot be ruled out therefore that these recent developments may cause him to feel physically and emotionally unable to continue as premier.

Moro's removal has long been one of ex-Premier Fanfani's principal aims, but Fanfani now seems to be making a strong bid to succeed incapacitated President Segni. In these circumstances, he may now try to trade Moro's retention as premier and left-wing representation

on the directorate for part support for his presidential candidacy.

The Christian Democrats coalition partners have reacted sharply to these developments, which they see as an attempt to turn the center-left away from its reform goals. Social Democratic leader Saragat has publicly stressed that the exclusion of the Christian Democratic left wing would inevitably create a government crisis. He clearly implied that his party and the Nenni Socialists would be forced to pull out of the coalition under such circumstances.

A further strain among the coalition partners will probably result from the Christian Democratic party's reported unwillingness to postpone the national administrative elections due in November. It had earlier been thought that the presidential election might be used as an excuse to delay the administrative elections and the Socialists have privately exerted strong pressure for such a postponement. If they are held on schedule, the coalition's lack of progress on reforms is expected to result in Socialist losses and further Communist gains. The government is expected to announce its decision to Parliament on 25 September.

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Europe

**FRENCH NAVAL UNITS PULLED FROM NATO EXERCISE**

French naval vessels and officers associated with the English Channel and Atlantic NATO commands are not participating in NATO naval exercise TEAMWORK because of a last minute withdrawal ordered by De Gaulle.

Last year De Gaulle withdrew French Atlantic naval forces earmarked for NATO wartime control--except for five submarines in the Iceland barrier force. In April, this year, he ordered all French naval officers to cease functioning in NATO command positions. In June, however, he approved an agreement between SACLANT and the French naval commander for the Atlantic which provided for French "cooperation" with the NATO maritime force in peacetime exercises and wartime emergency conditions. It had been felt that French participation in TEAMWORK under national command would mark the first real test of De Gaulle's willingness to make the new agreement work.

Last week a Foreign Ministry official told a US Embassy

officer in Paris that De Gaulle had reversed his position on TEAMWORK because he suspected that French naval officers were disregarding his views about their activities within NATO commands. Senior French naval officers also told the US Naval attaché in Paris that De Gaulle objected to certain aspects of TEAMWORK which entailed "considerations of a political and strategic nature." In their view, future NATO exercises of a purely tactical nature would not present such problems for the French.

There are no clear indications that the order to withdraw represents any new political decision by De Gaulle toward NATO. The cancellation has, however, served to weaken the effectiveness of TEAMWORK, part of a larger NATO exercise which is the most ambitious that the Alliance has yet undertaken. The sudden action is certainly in line with De Gaulle's well-known opposition to an integrated military command structure within the Alliance and his insistence that the member nations determine the use of their own forces.

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Europe

**COMMON MARKET DEVELOPMENTS**

Last week's meeting of the EEC Council of Ministers made it clear that Common Market consultation procedures will not keep a member country from extending long-term credits to the Soviet bloc if it desires to do so. West Germany, Belgium, the Netherlands, Luxembourg, and Italy generally favored continuation of the five-year limit, but their support for it seemed qualified. At an earlier meeting, the Dutch and Belgians--although still advocating "prior consultation" on credit grants--sought to define certain exceptions to the five-year rule, and the Germans asserted that pressures from industry were making it difficult for Bonn to hold the line.

The French position seems to be the crucial one. Although a French Finance Ministry representative told his EEC counterparts he favored adhering to a five-year rule, Couve de Murville reserved France's position during the Council debate, claiming that the credit issue was a "political matter" and thus not within the Council's competence. Belgian Foreign Minister Spaak has the impression the French are interested primarily in maintaining their freedom of action until after the Franco-Soviet October trade talks in Moscow. The EEC Commission, for its part, may

principally be interested in assuring that exceptions to the five-year rule can still be contained within the framework of the common commercial policy it is working on.

The Council, which was meeting for the first time since the summer recess, also took up the question of merging the executives of the EEC, EURATOM, and the Coal-Steel Community (CSC), but failed to reach agreement. Luxembourg again demanded "political compensation" for the loss of the CSC headquarters to Brussels, but a compensatory shift of the European Parliament from Strasbourg to Luxembourg is opposed by the parliamentarians and, more importantly, by France. Although the EEC permanent representatives have been instructed to explore the problem further, the Council will not be able to take up the question again until late this year. The US Mission believes that, at best, the executive merger cannot now be effected until the latter part of 1965.

The French performance on this question has caused some speculation that Paris has not only cooled on the merger issue but may also hope to use it as a lever on more important matters --for example, in renewed talks

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Europe

on European political union. Spaak's recent suggestion of a "political commission" appears to be making little headway, but despite official denials, West Germany may be making progress on its own proposals for progress toward political union. The US Embassy in Bonn suspects that these proposals have already been formulated,

at least in outline, but are being withheld until after the British elections. The Adenauer wing of Erhard's party, however, may use the 29 September CIU/CSU party caucus to urge the government to bring forth its ideas sooner than it would like.

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## AREA NOTE

Berlin: The West German cabinet on 23 September quit fighting for political improvements in the new Berlin pass agreement. It was signed the next day by the negotiators, West Berlin representative Korber and East German representative Wendt. Erhard's decision to accept the agreement, which implies some deference to the East German regime, will be criticized, especially by his own party; but he evidently estimated that the political cost of rejecting a humanitarian arrangement would be even higher. The agreement provides that West Berliners can visit their relatives in East Berlin this coming Christmas, Easter, and Pentecost, and for a period this fall.

At Bonn's insistence, Korber had attempted to modify

those parts of the agreement which describe Berlin as the East German capital and which give the impression of an official agreement between the West Berlin and East German governments. The East Germans refused to amend the text, but agreed that West Berlin could publicize its view that the agreement in no way implied recognition of the East German regime. With this concession, Mayor Brandt urged Erhard's approval.

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Europe

## AREA NOTE

Denmark: The political situation in Denmark may have been significantly altered by the 22 September elections even though only four parliamentary seats were changed. The Radical Liberal Party, formerly the junior partner in the coalition government, lost one seat, depriving the government of its majority in the Folketing. Radical Liberal spokesmen have said they would refuse to participate in a new government if the party made no gains in the election. The Conservative Party won four additional seats and increased its representation to 36. The Social Democrats and Moderate Liberals retained their 76 and

38 seats respectively; and the Socialist People's Party, the German Minority Party, and the Independents lost one seat each.

It seems unlikely that the Social Democrats, by far the largest party, can be kept out of a new government. Social Democratic Prime Minister Krag has begun to look around for new coalition allies. If he is not successful in finding them, he will probably try to win support for a Social Democratic minority government. [redacted]

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Sweden: The Social Democratic Party of Prime Minister Erlander will remain in power. In the elections on 20 September the Social Democrats received 47.9 percent of over 4 million votes cast. This gives them, momentarily, 117 seats in the Lower House of Parliament--a one-vote majority. They may lose one or two seats when absentee ballots are counted, but the loss probably will not affect their ability to form a government.

Among the other parties represented in the last Parliament, the Center Party increased its seats from 34 to 37 while the

Communists went from 5 seats to 8. The opposition Liberal Party retained its 40 seats. The Conservatives lost 11, probably because of the party's attack on the government pension system.

The election results will not produce any great changes in Swedish policies, but the Social Democrats will probably concentrate on regaining votes lost to the Communists by paying more attention to housing, the cost of living, and similar domestic issues. [redacted]

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## DE GAULLE'S SOUTH AMERICAN TOUR

De Gaulle's month-long tour of the ten South American countries is starting with somewhat less than complete harmony. In Venezuela and Colombia, private contacts between the chief executives were somewhat cool; Venezuelan President Leoni expressed his government's opposition to France's trade with Cuba.

The tour is primarily political in aim, but his hosts are more interested in economic advantages. The French President can be expected to avoid any specific anti-US positions, as he did last year in Mexico. He will probably encourage the Latin Americans, however, to assert their national independence more forcefully.

French interest in a broadened economic role in Latin American has risen in the last year, but with aid funds limited, emphasis can be expected to fall on cultural and technical assistance.

The fact that no prominent economic or financial

figure is accompanying De Gaulle and that no extensive lower level talks preceded the trip supports the thesis that no major aid is in the offing. De Gaulle had pressed the Finance Ministry for aid suggestions, however, and some prestige-enhancing gesture is possible.

While greatly increased economic aid appears unlikely, other types of assistance are possible: extension of a few small credit arrangements (probably not exceeding \$10 million); establishment of joint commissions to recommend development projects Paris might underwrite and to make periodic reviews of bilateral economic relations; establishment of educational assistance programs; and offers of technical know-how.

France's present economic interests in Latin America are modest. In 1962, total investments amounted to only \$400-500 million, and only 4 percent of France's total trade was with Latin America. In comparison with some 10,000 French technicians working in Africa in 1963, there were only 550 in Latin America.

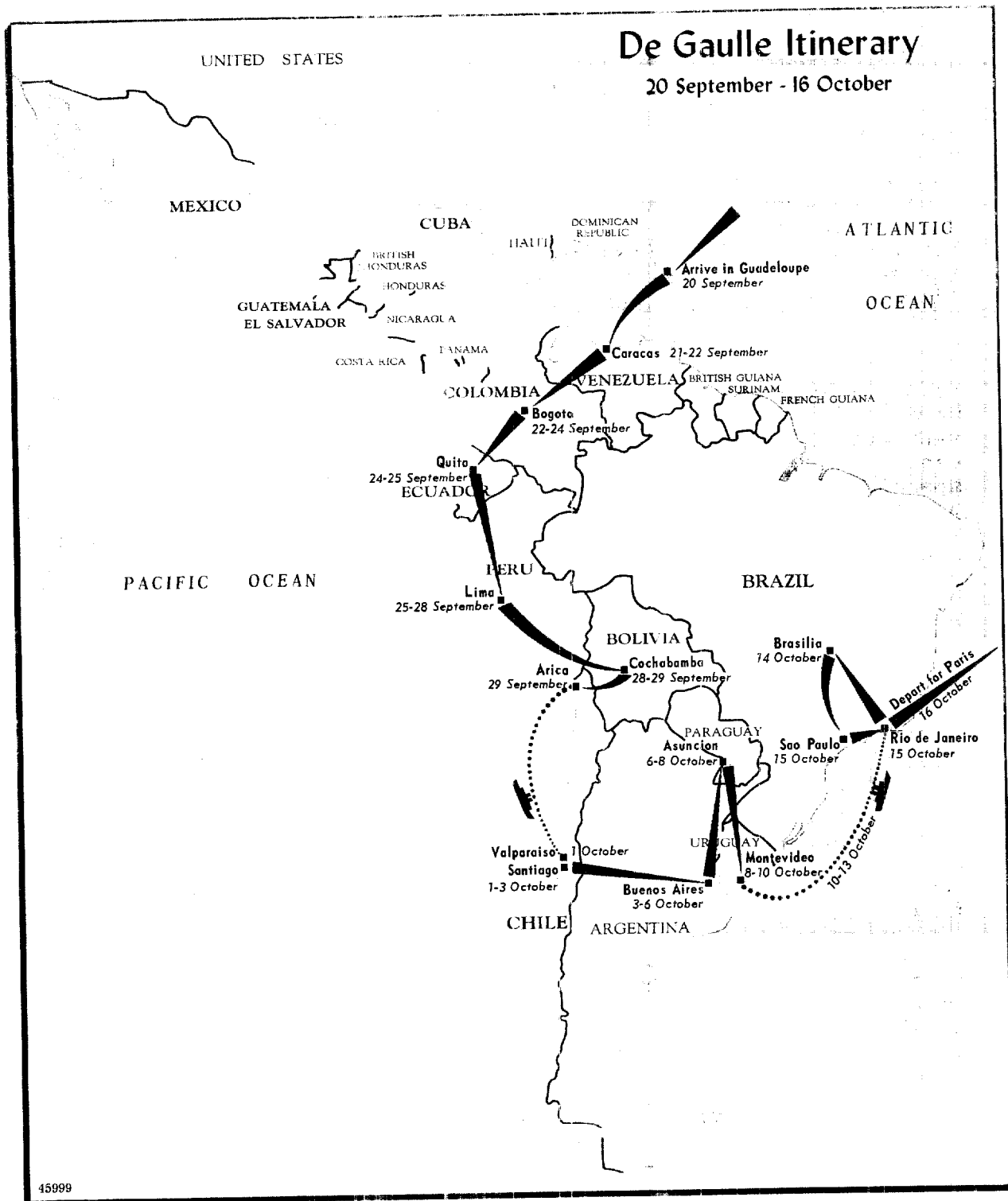
De Gaulle will probably be pressed not only to support

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specific national projects but also to advocate Latin American interests in the EEC, which takes from one fifth to one third of the total exports of the major South American countries. France's willingness to work for lower trade barriers in the Common Market, however, will be conditioned by commitments to its former territories in Africa and by its desire to protect its own exports, to its EEC partners.

During De Gaulle's absence from France Prime Minister Pompidou has been delegated sufficient authority to cope with some anticipated domestic unrest from the farmers, and possibly from labor. De Gaulle maintains a firm grip on the reins, however; he will sign all official documents and issue instructions when intermittently on "French soil"--the cruiser Colbert. [redacted] 25X1

## AREA NOTE

Venezuela: The Communist-directed Armed Forces for National Liberation (FALN) apparently has resumed its campaign of terrorism. The current phase will probably consist of sporadic actions intended to badger the government and to demonstrate strength.

On the evening of 21 September, the day De Gaulle arrived in Venezuela, a bridge about 16 miles southeast of Caracas was dynamited while a police car was crossing. Three policemen were seriously injured. At the same time, a settlement ten miles from the bridge was attacked by sixteen uniformed armed men and held for nearly an hour while FALN propaganda was disseminated. That evening also three gunmen forced the projectionist in a Caracas movie theater to show FALN slides. The following day

the press reported a flurry of armed robberies.

There were already indications last week that the FALN was beginning its new terrorist campaign. Disturbances occurred on 15 September in the El Silencio area of Caracas for the first time in months. The same day, a Caracas uniform factory was robbed of parts of police uniforms, and in Yaracuy State, an armed band attacked an electricity company. On 17 September, Maracaibo police found two powerful undetonated bombs, one at a water plant and the other in a US-owned supermarket.

The recent terrorist actions were successfully carried out despite increased government vigilance. [redacted] 25X1

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**COLOMBIAN ANTI-COMMUNIST CAMPAIGN**

The Colombian Army is now in the fifth month of its campaign in Marquetalia against the Communist guerrillas led by Tiro Fijo (Sure Shot). In May, the army occupied almost 70 percent of the region under Tiro Fijo's control, and the public began to expect a speedy victory.

Since mid-June, however, the army has not gained any territory and has been subjected to increasingly bitter criticism. Guerrilla ambushes, booby traps, and snipers have caused a number of government casualties. More important still is the problem of declining morale. Some of the criticism stems from ignorance about the nature of the campaign and the enemy.

Tiro Fijo was born on 13 May 1930. He joined a bandit gang in 1954

[redacted] In company with many other "political outlaws," he was granted amnesty in 1959 by the Lleras administration. He could find no work except on a road gang, however, so in 1960 he organized his own gang of brigands and soon became the Communist commander of Marquetalia. The gang committed a long series of violent crimes against civilians and the armed forces. The most brazen, perhaps, was the ambush of a helicopter last March and collection of \$200,000 ransom for the release of two crew members.

The army is moving slowly in Marquetalia for a number of reasons. The troops are operating in some of Colombia's most rugged mountains, at altitudes ranging from 9,500 to 14,000 feet. The lack of roads creates supply problems. Furthermore, the army is exercising some caution to prevent Tiro Fijo's retreat into nearby Rio Chiquito or Guayabero, where he could link up with other Communist-directed forces.

The army considers its civic action program at least as important as the conflict with Tiro Fijo. The peasants in Marquetalia, fearful of both bandit reprisals and army brutality, were slow to accept the army's aid in public health and municipal betterment. The Communists themselves have admitted, however, that the army's program now is winning the peasants' confidence.

[redacted] 25X1

The Communists have used "Defend Marquetalia!" as a propaganda cry, especially among students and other susceptible youth groups, but little action has resulted. [redacted] 25X1

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**CUBAN FOREIGN TRADE PROBLEMS**

The Castro regime has been forced to cut back its trade with the free world because of a weakening foreign exchange position brought on largely by the steadily declining world market price for sugar. Sugar sold to the free world--about 1.5 million metric tons annually in recent years--provides Cuba with the bulk of its convertible foreign exchange. Castro explained at an impromptu news conference on 16 September that lower sugar prices had required an "adjustment" in Cuban plans and that scheduled machinery and consumer goods imports would have to be reduced.

The reduction in free world trade is a setback for the regime's year-old effort to acquire goods which it had been unable to obtain in the desired quantities and quality from the Soviet bloc. In addition, Castro had reportedly hoped that increased trade with the West would ultimately lessen his economic dependence on the USSR.

The regime began this year confident of improved economic prospects. High sugar prices had permitted it to accumulate a \$100-million reserve of foreign exchange and Castro bragged that, despite US efforts to isolate it, Cuba could and would obtain long-needed goods in the West. The Cuban people were promised fewer shortages. Commercial missions were sent to Western Europe and Japan and contracts were signed for large

quantities of machinery, transportation equipment, and consumer goods, some on medium-term credits guaranteed by Western governments. The free world share of Cuban trade, which had dropped to less than 20 percent in 1962 and had begun a slow rise in late 1963, rose to about 32 percent in the first quarter of this year.

By July, however, the regime had to put a tight rein on uncoordinated purchasing activities abroad. A drastic shake-up in the foreign trade bureaucracy followed. At present, Cuban foreign exchange holdings are estimated at about \$55 million and the prospect is for a continuing decline into next year.

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Cuban officials expect to receive an average of only 3.3 cents per pound for sugar next year, compared to the nearly 8 cents average received this year.

Castro asserted on 16 September that, despite the need to cut back free world imports, Cuba will meet "all its commercial obligations" to free world suppliers. Sizeable payments for items purchased early this year may become a strain on the diminished Cuban resources as they fall due in the coming years. The USSR may not find it feasible to reduce the economic support it has been providing the Castro regime. [redacted] 25X1

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