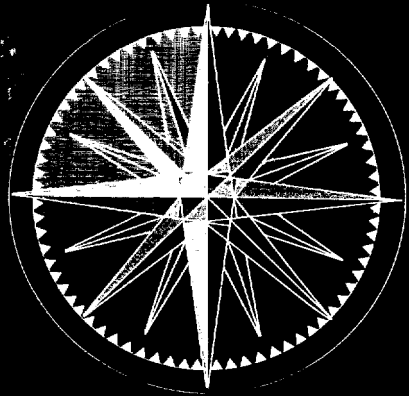


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24 December 1964

OCI No. 0363/64
Copy No. 71

WEEKLY SUMMARY

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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C O N T E N T S

(Information as of 1200 EST, 23 December 1964)

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SOVIET PURCHASING ACTIVITY IN WEST EUROPE SLOWING DOWN Contracts have been signed this year for about \$200 million worth of chemical plants, but the economic views of the new Soviet leadership make it unlikely that many new deals will be undertaken.	2
SOVIET PLANS FOR THE 1964-65 ANTARCTIC SEASON Preliminary information indicates no expansion of the program set up when the International Year of the Quiet Sun began a year ago. The US-Soviet exchange of scientists will continue.	3
SCANDALS ROCK HUNGARIAN REGIME Party leader Kadar is under new fire from party hardliners for assigning high government positions to nonparty technicians, some of whom have recently been implicated in embezzlement scandals.	4
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CZECHOSLOVAKIA TRIES NEW ROLE IN THE SOVIET BLOC Prague's new policy of reducing its subservience to Moscow was an outgrowth of the domestic liberalization forced on old-time Stalinist leader Novotny by dissident elements in his party. The change is especially evident in the support Prague gave Khrushchev after his ouster, in the recent publication of a draft economic reform program which includes broader use of the market mechanism, and in attempts to improve economic and political relations with the West. (Published separately as Special Report OCI No. 0363/64A)	

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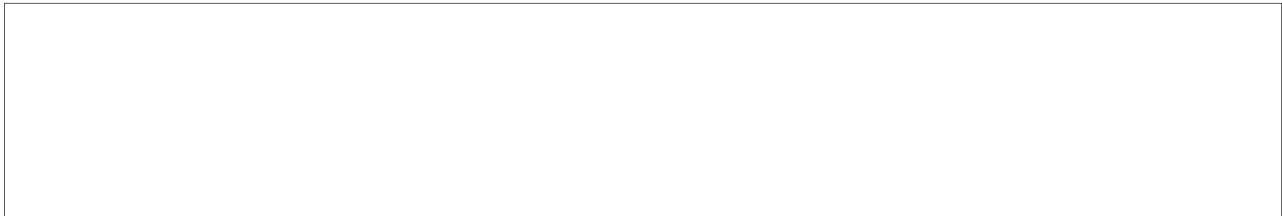
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PERONIST PROTEST STRIKE FAILS IN ARGENTINA

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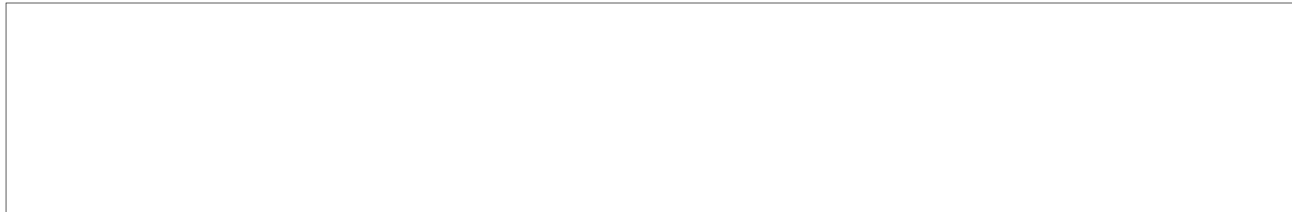
The politically motivated two-day general strike collapsed by the middle of the second day, and thorough but restrained police activity prevented incipient demonstrations and riots.

STRAINS IN BRAZILIAN-URUGUAYAN RELATIONS

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Brazil is considering retaliation against Uruguay for its failure to restrict the activities of Brazilian exiles, and is also concerned over signs of instability in the Uruguayan Government.

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The Communist World

USSR RENEWS BID TO ATTEND AFRO-ASIAN CONFERENCE

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Moscow has resumed diplomatic soundings concerning the possibility of participating in the Afro-Asian "summit" conference in Algiers, scheduled for next March.

The issue of Soviet attendance was initially raised by the Indian delegation at the Djakarta preparatory conference last April. Peiping led the opposition to the Indian proposal, and blocked a Soviet invitation at that time.

A Soviet Government statement in May asserted that the USSR had a right to attend because of its Asian geography and its history of political and material support for Afro-Asian countries. However, Moscow's campaign to gain an invitation met with little enthusiasm, as most Afro-Asian governments were reluctant to have the effectiveness of the conference undermined by a Sino-Soviet hassle.

In August, Moscow made a tactical retreat, reiterating its right to attend, but claiming that, because of its overriding concern for the welfare of the Afro-Asian movement, it could not allow its participation to be an embarrassment to friendly states.

The tentative nature of the latest approaches suggests that Moscow is not very optimistic about obtaining an invitation. Its main purpose probably is to take advantage of apprehensions on the part of some Afro-Asian governments that the Chinese will dominate the conference. Soviet tactics appear aimed at provoking strong Chinese opposition to Soviet attendance and then exploiting it to support charges that Peiping is undermining the solidarity of "anti-imperialist forces."

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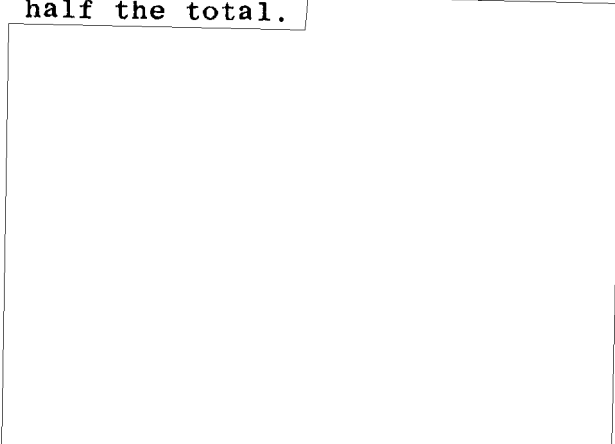
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The Communist World

SOVIET PURCHASING ACTIVITY IN WEST EUROPE SLOWING DOWN

Soviet negotiations with Western traders for the purchase of major industrial plants and equipment continue to be marked by indecision.

Contracts have been signed this year for about \$200 million worth of free world chemical plants--a large British synthetic-textiles plant accounting for half the total.



Much Soviet effort has gone into the procurement of long-term credits, with the UK, France, and Italy agreeing to guarantee about \$650 million for industrial plants to be paid for over a 7- to 15-year period. However, only two specific deals--for about \$100 million on 13- to 15-year terms--have been arranged. It is possible that the expense of these deals--the interest increases the cost of the plant by 50 percent--has caused Soviet officials to have second thoughts. The economic views of the new Soviet leadership make it unlikely that any large number of

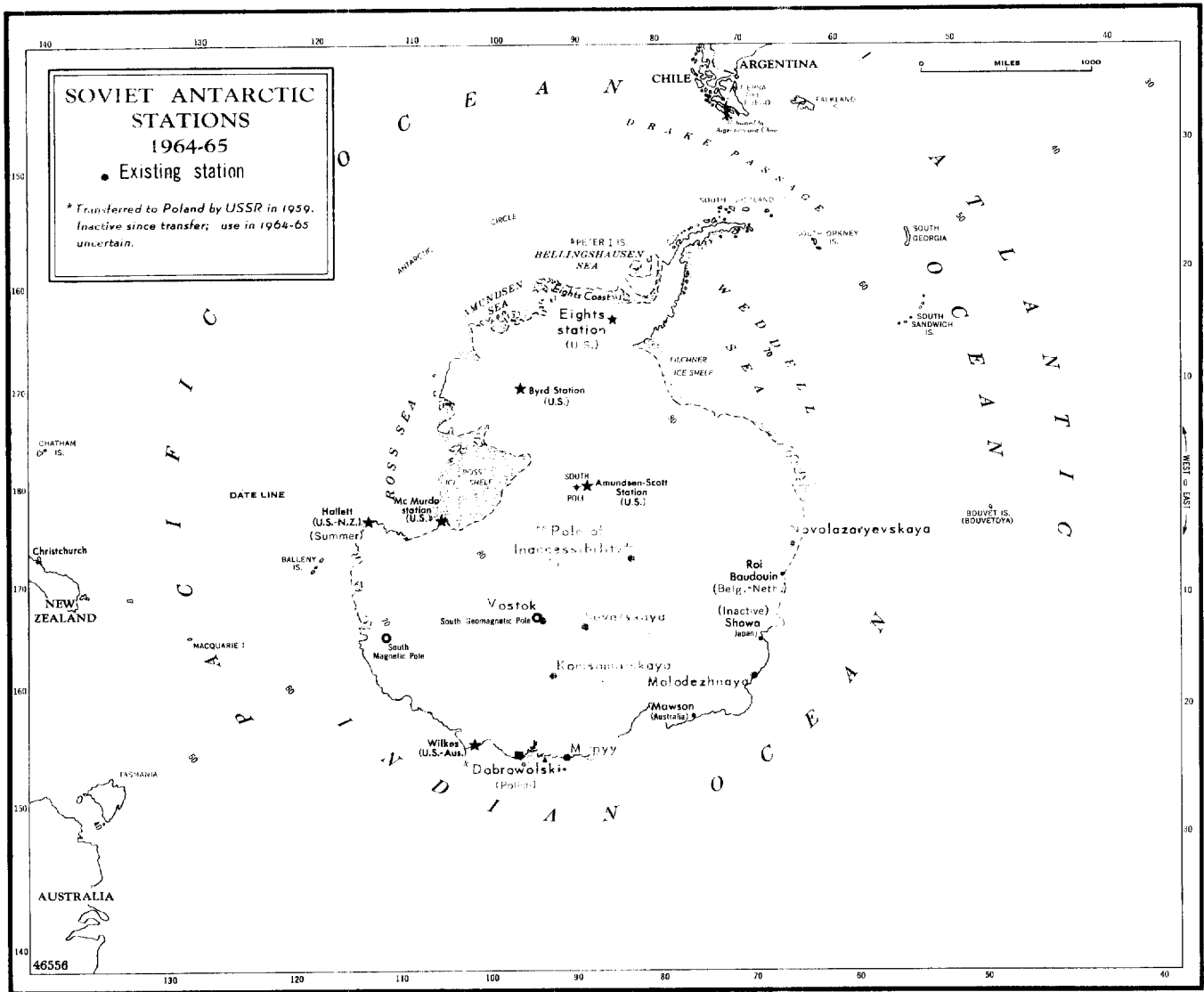
long-term credit deals will be undertaken. Buying activity increasingly may be governed by how the USSR views the earning potential of its exports.

Recently a Soviet official indicated the USSR now hopes to reduce the expense of buying large quantities of Western equipment by purchasing, wherever possible, only processes and advanced technology. Theoretically this is attractive, but in practice many Western suppliers might prefer not to sell or guarantee technology and processes when they cannot oversee implementation. Furthermore, all of the Westerners who have built plants in the USSR have been critical of Soviet construction and production methods, and it is questionable whether the USSR could get full benefit from "know-how" alone without consultants to go with it.

The USSR is still unable to finance all the imports it would need to skip intermediate steps on its way to modern, sophisticated industrial production. To proceed with an ambitious plan to secure and use advanced technology, it must find some way to step up its exports. Current rumors that a reorganization of the Ministry of Foreign Trade is under way suggest that Moscow may have resorted again to re-arranging administration in the hopes of remedying some of the basic ills.

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The Communist World

SOVIET PLANS FOR THE 1964-65 ANTARCTIC SEASON

Preliminary information on the Soviet Tenth Antarctic Expedition indicates that a modest program will be conducted in all areas of research. The chief logistic effort will be concentrated on making Molodezhnaya into the main base for future Soviet expeditions.

Research will continue in upper atmospheric physics under the program of the International Year of the Quiet Sun begun a year ago. There is no sign, however, of plans for significant new work or expansion beyond the present program.

Geological and mapping operations will be conducted along past lines, and a minimum of oceanographic work is expected. The wooden buildings at Molodezhnaya will be replaced by prefabricated houses constructed on fireproof piles.

Reflecting the limited plans for 1964-65, the Soviet expedition will consist of only 300 men, including the crews of the two supply ships. Some earlier expeditions have been twice as large. Despite the smaller size of the expedition, however, a

larger number of scientists from Eastern Europe will participate in the Soviet program than last year. Polish scientists reportedly will be added to teams from Czechoslovakia, East Germany, and Hungary. The US-Soviet exchange of scientists will be continued, and the USSR will provide some assistance to a small Japanese team.

In contrast to last year, there is apparently no plan to bring in extra men by air from Moscow. In another new development, the Soviet air detachment in Antarctica will be withdrawn for the winter period for the first time in 10 years.

Four Soviet whaling fleets will be active in Antarctic waters this year. For the first time these ships transited the Suez Canal and will be operating in a new sector off Antarctica. The route through Suez will permit a longer hunting season than previously for sperm whales, which are not subject to international control. The Soviet whaling fleets in the Antarctic are supported by weather reporting from the USSR's station at Mirnyy.

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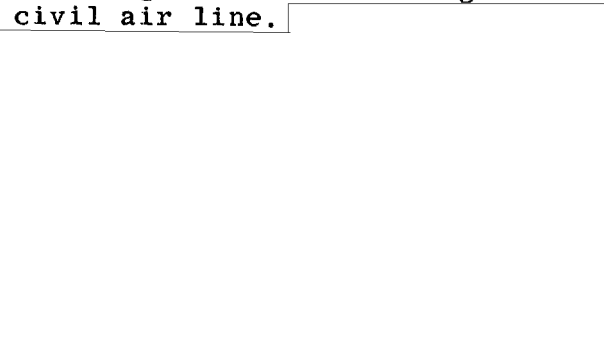
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The Communist World

SCANDALS ROCK HUNGARIAN REGIME

Hungarian party boss Kadar's use of nonparty technical specialists in important policy-making positions has recently come under heavy fire from widely disparate elements within the party. Hard-line elements, in particular, are highly critical as a result of domestic scandals involving embezzlement by some of these technicians.

The most extensive scandal was revealed on 5 December when the regime press disclosed that more than a dozen employees of the State Restaurant and Catering Enterprise had been arrested for criminal conspiracy. It has been widely rumored that this scandal involved over a hundred persons, including three government ministers and the director-general of the Hungarian civil air line.



Kadar's policy, of several years' standing, has never been fully accepted in the party because of fears that its authority would be diluted.

In a speech on 3 December politburo member Sandor Gaspar, undoubtedly aware of the brewing scandals, acknowledged concern at the highest level over

the question of party controls. He hinted that responsibility for mismanagement may not lie exclusively with local officials, and stated that the central committee--which subsequently met from 8 to 10 December--would take steps to eliminate abuses in middle-echelon leadership. On 17 December, the Budapest party committee announced that, after considering the recommendations of the central committee, it had relieved two municipal party leaders of their duties "for other important assignments."

Over the past two months, other high party officials, including Kadar himself, have warned "dogmatists" to refrain from politicking against domestic policies. On 12 December, Kadar--in his first public statement since 18 October--again attempted to discourage opposition elements within the party and, while tacitly admitting some failures in his program, rejected any modification. His announcement of the central committee's approval of cutbacks in production goals for 1965 will undoubtedly provide additional ammunition for his critics.

Kadar's control of the party apparatus does not yet appear to have been significantly weakened. These developments suggest, however, that his regime may be entering a period of instability characterized by increased party factionalism.

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The Communist World

RUMANIA CONTINUING TO ASSERT INDEPENDENCE FROM THE USSR

Since the ouster of Khrushchev, Rumania has broadened the scope of its independent activities. Although Bucharest prefers to avoid committing itself in the Sino-Soviet dispute, its recent efforts to assert its independence on certain issues have unavoidably had a distinctly anti-Russian cast. The result, intentional or not, is that some of them serve to support Chinese Communist positions.

The Rumanian representative, at the Eighth International Students' Union (IUS) Congress held in early December in Sofia, attacked the Russian-backed principle of majority vote, insisting that only unanimous decisions prevail, a position the Chinese have long espoused. Rumania had expressed this view, but in a less uncompromising tone, at the World Federation of Trade Unions meeting in October.

In a book published by the Rumanian Academy on 24 October, entitled Notes About Rumania, the regime happily used four little-known and ancient articles by Karl Marx to support Bucharest's position on current sensitive territorial issues with Communist neighbors. The manuscripts, uncovered by a diligent Rumanian party researcher in the musty files of the Marx-Engels archives in Amsterdam, were critical of Russia for taking over Bessarabia and of Hungary for its oppressive rule in Transylvania. Many of the historical

events criticized by Marx have an obvious parallel in the Soviet excesses during the post-war occupation in Rumania.

In addition to these measures, Rumania's party journal Scinteia published on 14 December the text of Deputy Premier Birladeanu's recent interview in Paris in which he had emphasized Rumania's positive attitude toward relations with the West. The interview came at the conclusion of Birladeanu's month-long visit during which a five-year trade pact with France was signed. On 16 December the president of Rumania's State Planning Commission pointedly told the US ambassador that further developments can be expected in Bucharest's rapprochement with the West.

Bucharest appears to be taking advantage of the change-over period in Moscow to emphasize Rumania's independence. Except for Tito, Gheorghiu-Dej remains the only Eastern European party chief who has not met with the new Soviet leaders.

The regime is apparently united in pursuing its present course. All ranking Rumanian leaders approved party activities in international relations at an enlarged central committee plenum held from 30 November to 1 December. The plenum was preceded by a two-week series of high-level working sessions, suggesting that a major review was made of all policies in light of the changes in the USSR.

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Asia-Africa

SOUTH VIETAMESE MILITARY IN NEW POWER PLAY

A power play last week end by armed forces chief General Khanh and the young operational military commanders appears to have undermined the foundation of civilian rule in South Vietnam.

On 20 December, the military unilaterally dissolved the High National Council which had set up the Huong government. Most of the council members were arrested, along with more than 100 civilian opposition leaders. The officers insisted that they continued to support civilian Chief of State Suu and Premier Huong, and were merely purging disruptive "counterrevolutionary" elements who were illegally holding up action on an armed forces order to retire older officers.

The reassertion of the armed forces' power, however, has made Huong and Suu appear to be little more than figureheads for a military dictatorship. Because the military have indicated no desire to take over routine administration, the two may still be in a position to wrest specific promises against further military interference as the price of remaining in office. Premier Huong, however, still depends primarily upon support from the armed

forces in resisting the demands of the Buddhist hierarchy for his removal.

Although there are indications that Khanh merely acceded to pressure from the "young Turk" generals to dissolve the High National Council, he now has closely associated himself with their move. In a strongly worded communiqué on 22 December, he extolled the "responsibility of the armed forces before history" and warned that the army will not bow to foreign dictation. This appears to reflect both Khanh's maneuvers to maintain his position as armed forces chief and his irritation with US criticism of the military move.

Buddhist leaders had been showing some interest in negotiating with the government while simultaneously preparing for an expanded public hunger strike in protest against the regime. Following the armed forces' move, however, the monk Tri Quang stated that he was suspending the campaign against Huong, presumably in order to assess the ramifications of the military action. Quang indicated that Buddhist agitation would be resumed if Huong continued his "anti-Buddhist" policies or if General Khanh reassumed real power.

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Asia-Africa

During the past week, Viet Cong terrorist and military activity increased in scale, but decreased significantly in intensity, as measured by a decline in the number of attacks in company and battalion strength.

The majority of incidents continued to be small-scale armed attacks and ambushes, hamlet harassment, and terrorism against government highways, bridges, and railroads. [REDACTED]

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PAKISTAN'S PRESIDENTIAL ELECTION CAMPAIGN

The bitter political atmosphere in Pakistan generated by the presidential contest between President Ayub and Miss Fatima Jinnah seems likely to grow even more intense after the 2 January elections and will probably weaken the government, regardless of the outcome.

If President Ayub is elected, he will probably encounter a far more active opposition during his next administration than he has had to deal with so far. The five opposition parties backing Miss Jinnah have Ayub running scared, and they have developed new confidence and determination. On losing the elections they would probably continue to cooperate in their efforts to obstruct the Ayub regime.

Miss Jinnah appears convinced that the campaign is going

in her favor and that only skulduggery can deprive her of victory. [REDACTED]

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On the other hand, an upset Jinnah victory would probably lead to a period of intense political maneuvering and instability, especially in the National Assembly. The parties backing her would be forced to seek agreement on a common constructive policy. Even if they gain a parliamentary majority in the elections next April, however, they would probably not remain together for long, for they vary from Muslim extremists to pro-Communist leftists and share little but a common desire to oust Ayub. [REDACTED]

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Asia-Africa

FOREIGN ARMS AID INCREASES CONGOLESE REBEL ACTIVITY

Government forces in the northeast Congo are encountering greater harassment from rebels now armed with Soviet weapons received from their African backers. The government so far has been unable to interdict completely the supply route from Sudan.

Rebels attacking at Paulis are armed with Soviet weapons which probably constituted part of the recent shipments coming through Sudan. Other Soviet arms have been captured near Bunia.

The recent loss of a T-28 near the Ugandan border probably was caused by automatic ground fire.

Improved rebel tactics suggest that foreign advisers, if not troops, are assisting the rebels.

Meanwhile, the mercenary-led group operating out of Bunia is moving toward towns along the Sudanese and Ugandan borders to try to cut these routes before large quantities of supplies reach the rebels.

Farther south, recent new large shipments of arms to Burundi from Tanzania may also reach the rebels in the Fizi-

Uvira area, where an upsurge of rebel attacks is expected.

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Government forces have made some small gains elsewhere. Units moving westward from Bukavu toward Kindu continue to capture small villages despite increased rebel harassment. In the northwest, the rebels are retreating north of Boende, but stiff resistance around Opala on the Boende-Stanleyville road recently forced the government to abandon this position.

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THE COMMON MARKET'S GRAIN PRICE AGREEMENT

The EEC's decision on 15 December to establish common prices for grains marks a historic advance in integrating the agricultural markets of the six member countries and in overcoming perhaps the most troublesome single hindrance to economic integration. The agreement opens the way for unification of prices of other agricultural products, will probably create pressures for common policies in the monetary and tax fields, and will have important implications for the Kennedy Round.

Psychologically, the decision has created a more favorable climate for progress within the Common Market than has existed since De Gaulle's 1963 veto of the UK's entry. Whether the improved atmosphere will also spur agreement on political unity is still uncertain.

The unification of cereal prices in one step--to be taken in July 1967--will create a single market for these products three years ahead of the date foreseen by the EEC treaty. Grains not

only constitute the bulk of intra-community agricultural trade, but also are crucial for the prices of such commodities as dairy products, beef, and veal. For this reason the common prices for grains will bring about a general acceleration of measures to achieve a common agricultural policy (CAP) which will balance the already accelerated pace toward a free market for industrial goods.

France will benefit most from the enlarged community outlets for its excess grain production, and Paris has already indicated that it wants the establishment of single markets for other farm products speeded up. Germany on the other hand, will suffer heavy short-term financial--and perhaps domestic political--costs from its agreement to common grain prices, but the acceleration of the CAP will advance Chancellor Erhard's long-term goal of rationalizing German agriculture. Germany may also have gained some leverage to use in its effort to push both its own and the EEC Commission's proposals for acceleration or tariff reduction and

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Europe

elimination of community "tax frontiers."

In addition to establishing the prices themselves--at levels somewhat closer to low French than high German ones--last week's agreement sets the stage for placing grain subsidies under community financial arrangements managed by the EEC Commission. The Commission's influence--already enhanced by the success of its initiative in proposing the one-step price integration--will thus be further increased in the community decision-making process. Future revisions of the price level, moreover, can be undertaken only on the basis of a Commission proposal. Furthermore, the Council of Ministers did not try to extend beyond 1 January 1966 the present requirement that any revision of the price level needs unanimous approval of the members.

Although many difficulties lie in the way of a true monetary "union" among the Six, the grain price agreement will lend increased importance to studies already under way on closer monetary cooperation. Since grain prices will be expressed in a common "unit of account"--equivalent to the dollar--changes in the value of one member's currency could have profound economic effects on its partners because of the trading importance of farm commodities. The grain price agreement can also be expected to increase pressures for the community to pursue coordinated business-cycle policies designed to prevent divergent movements in over-all national prices among the Six.

As for the EEC's participation in the Kennedy Round, the agreement will permit the community to approach the bargaining on agriculture with a substantive--rather than merely "theoretical"--negotiating position. This in turn should remove one obstacle to progress on the industrial side of the trade talks.

The 15 December decision has received a favorable response in all of the Six, although the heavy financial obligations incurred by Bonn to the German farmers somewhat tempered German optimism. The Italians have expressed concern over the potentially inflationary effect of higher agricultural prices in their country, but have on balance been pleased by the concessions they obtained in the grain price package.

The grain price agreement increases the stake both of France and Germany in the EEC and, to some extent, in the limited "supranational" processes which now effect agreement among the Six. The community may thus have gained some insurance against detrimental changes in its functioning which could emerge from agreements in the broader European political union discussions, expected to resume early next year. With the important economic differences now settled by the movement toward an integrated agricultural market, however, the principal remaining area of contention between France and Germany--the issue of European defense--will be even more evident.

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Europe

BONN RENEWS EFFORTS ON BEHALF OF GERMAN UNIFICATION

The change of leadership in Moscow has inspired Bonn to press once again for a Western initiative on the 19-year-old German question despite the skepticism of its allies that an approach to Moscow at this time would be productive. Top German officials, including Chancellor Erhard and Foreign Minister Schroeder, share this skepticism to some extent, but assert that efforts must continue to be made in behalf of German unification. Bonn feels that the new Soviet leaders must be confronted with an agreed Western position as quickly as possible so as to dispel any illusion they may have that the Germans are willing to accept the status quo.

The core of the German proposal, as introduced by Schroeder at the 14 December meeting of the Western foreign ministers, is the establishment of a standing council composed of US, Soviet, British, and French representatives and empowered to seek progress on the unification question. At the same time, however, Schroeder asked the other ministers to endorse publicly the thesis that the time is ripe for an approach to Moscow. This latter request became an issue in behind-the-scenes maneuvering, and Schroeder subsequently blamed French obstructionism for the failure of the ministers to issue such a statement. French Foreign Minister Couve de Murville reportedly indicated to Schroeder that France could not consider the German request, given Bonn's continuing outspoken support for the MLF.

The incident served to stir up a flurry of anti-French feeling in the Federal Republic, though many commentators blamed the German defeat on Schroeder, whom they accused of needlessly irritating the French in his NATO Council speech of 15 December. Officially Bonn has chosen to play down the dispute, apparently in order to concentrate on its four-power council proposal. Erhard, according to a government spokesman, will pursue the matter in his meetings with De Gaulle and Wilson early next year.

While unification does not loom as a major issue in the 1965 election campaign, Erhard feels he must take some action in behalf of Germany's top national objective, or be open to the charge of neglecting it. Probably he and other government leaders agree with opposition leader Willy Brandt that the most promising course of action lies in a policy of "small steps" to improve relations with East Germany.

Still, the possibilities of political debate on the unification issue were pointed up by the differing reactions in the government and opposition camps to the recent proposal of UN Assembly President Quaison-Sackey to have the UN consider the German problem. Bonn greeted the proposal coolly, with the view that it is dangerous to allow the question to slip from under exclusive four-power jurisdiction. Brandt said publicly that he thought the government should not have been so negative. 25X1

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Western Hemisphere

EFFECTS OF US STATEMENT OF CANAL PLANS

Surprise and admiration--some of it grudging--over US initiative and foresight have been the general reaction to President Johnson's statement of US canal plans on 18 December. Panamanian Government officials were jubilant and the public reception was favorable, but there is some concern as to the ultimate effects on Panama. Opinion in Latin America has been mostly favorable.

Panamanian President Robles' position has been strengthened, and his enemies have lost their main weapon against him. Even extremist Panamanians say the statement has reduced the danger of major violence on the first anniversary of the 9 January riots.

Not unexpectedly, those riots and former president Chiari's adamant nationalistic stance are being credited by Panamanians with influencing the US decision. Some newspapers have asserted that extremist elements served a useful purpose in Panama's "popular triumph."

Communists and far leftists in Panama were caught off-base and are apparently chary of challenging the general satisfaction. They have thus far either kept quiet or confined their overt reaction to playing on doubts in the minds of Panamanians and to raising the issue of "neutralizing" the Canal Zone by excluding US military forces.

Comment in Nicaragua, Costa Rica, and Colombia has been cautious and generally indicates that those countries feel Panama is the first choice of the US as the location for a sea-level canal.

Havana's Prensa Latina calls the announcement "blackmail" against the Panamanian peoples' aspirations for a fair canal treaty and uses selected quotes from media in non-Communist countries in support of this charge. The Moscow press also raised the charge of blackmail and said the US did not plan to give up any of its privileges in Panama.

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Western Hemisphere

PERONIST PROTEST STRIKE FAILS IN ARGENTINA

Argentina's Peronists have so far failed in their attempts to foment widespread unrest. Despite scattered outbreaks of terrorist activity in which at least two persons were killed and a number of bombings occurred, the Peronist-directed two-day general strike on 17 and 18 December did not attract mass support and had virtually collapsed by the middle of the second day. On the first day the politically motivated strike was not more than 60 percent effective in industry--the sector of greatest Peronist strength. Heavy police security forces, generally acting with restraint, were notably thorough in preventing incipient demonstrations and riots.

A general rally scheduled as part of strike activity for 18 December was postponed. The police had stated that the rally would be suppressed with force and, earlier, had arrested a number of key Peronist labor

leaders to keep them out of action. A new date for the rally, now known as the "silent march," is expected to be set this week.

The four top Peronist leaders who came to Paraguay from Madrid last week arrived in Buenos Aires on 21 December. One of them, Andres Framini, was arrested briefly on charges stemming from a three-month-old indictment in connection with illegal labor activities but was released within an hour. Thus far police have not interfered with the others.

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STRAINS IN BRAZILIAN-URUGUAYAN RELATIONS

Brazil is considering retaliating against Uruguay for its failure to restrict the activities of Brazilian exiles. Uruguay has agreed to certain minor precautions, but so far

has not responded to demands for internment of exile leader Leonel Brizola and expulsion of several other extremists. Brazilian officials are disturbed by reports that Brizola and others

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Western Hemisphere

are trying to organize a terrorist movement.

Adding to the growing strain in relations between the two countries is Brazil's concern over signs of political deterioration in Uruguay. Castello Branco recently criticized Uru-

guay's National Council as "very weak and overly afraid of Communists." He stated that Brazilian representatives in Uruguay are keeping a close watch on internal conditions there and implied strongly that he expects basic political changes will occur in the near future.

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