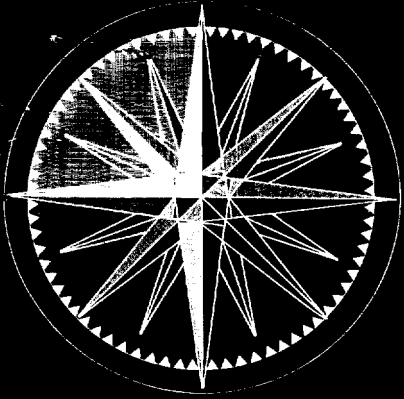


22 January 1965

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# WEEKLY SUMMARY

State Dept. review completed

## CENTRAL INTELLIGENCE AGENCY OFFICE OF CURRENT INTELLIGENCE

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## C O N T E N T S

(Information as of 1200 EST, 21 January 1965)

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RECENT SOVIET MILITARY AID DEVELOPMENTS A new arms pact with Egypt emphasizes the USSR's intention to continue long-term military aid. Aid shipments to Somalia are gaining momentum, and Indonesia may soon receive the initial shipment under an arms agreement concluded in October.	2
SOVIET ECONOMIC AID ACTIVITIES IN AFRICA New credits to Senegal, Uganda, and Congo (Brazzaville) raise promised Soviet economic aid to Africa to more than \$750 million.	4
COMMUNIST CHINA'S 1964 AID SETS NEW HIGH The Chinese Communists ended 1964 with a flurry of aid activity bringing their total economic aid commitment to free world countries last year to a record \$340 million.	5
<u>ASIA-AFRICA</u>	
GENERALS WIN STRONG VOICE IN SOUTH VIETNAM CABINET They have been given the portfolios of defense, youth, and psychological warfare, and a fourth general will serve as second deputy premier. At the last minute the generals secured the promise of eventual removal of two additional civilians. Buddhist pressure against Premier Huong continues.	6
INDONESIA MAINTAINS PRESSURE ON MALAYSIA Djakarta has made public gestures toward a peaceful settlement but continues to pursue its military activities against Malaysia. Indonesia is still shaping its tactics on withdrawal from the United Nations.	7

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**BURUNDI PREMIER ASSASSINATED** 8

The King had appointed Ngendandumwe, a Hutu, only a week earlier in an effort to reverse the country's pro-Peiping orientation, and to curb the influence of the long-dominant Tutsi tribe. He now has asked Joseph Bamina, also a Hutu, to head the government named by Ngendandumwe.

**SKIRMISHING CONTINUES IN LEOPOLDVILLE CONGO** 9

Following a lull in activity, more extensive fighting has resumed, and the government seems about to launch its much-vaunted drive toward the Sudan border to cut off rebel supply sources.

**BREAKDOWN OF ORDER THREATENED IN BRAZZAVILLE CONGO** 10

Faced with mounting opposition from various groupings, the regime has asked for aid from radical African states.

**GHANA POSTPONES ECONOMIC CRISIS** 11

Despite a \$56-million credit from a French-Swiss consortium, economic conditions probably will continue to deteriorate, and onerous fiscal measures will add to public discontent.

EUROPE**POSSIBLE COMMUNIST REPRESENTATION IN EUROPEAN PARLIAMENT** 12

The European Parliament, the debating forum of the three European communities, may get its first Communist members if and when the Italian Parliament fills present vacancies in Italy's delegation. Italy's new President Saragat and both the Socialist parties in Italy's governing coalition are committed to the principle of Communist representation.

**EEC COMMISSION PROPOSES FULL CUSTOMS UNION BY JULY 1967** 13

Community agreement on this schedule would accelerate by two and a half years the schedule provided by the Common Market treaty.

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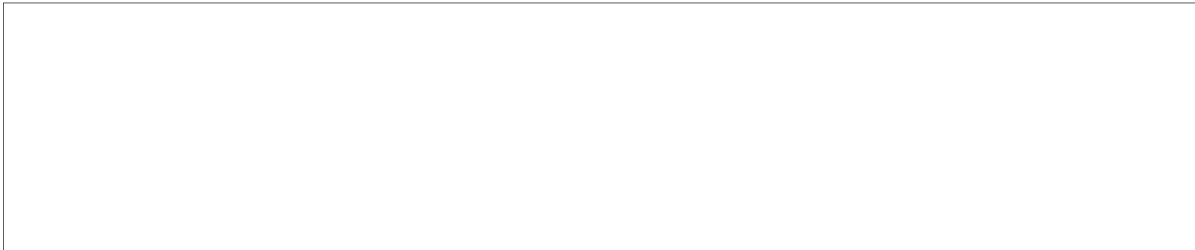
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## FRANCE AND EASTERN EUROPE

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As a result of mutual desire for closer relations, France and the Eastern European countries have been increasing their cultural, economic, and technical ties, and several ranking Communist government officials have recently visited Paris.



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## PORTUGUESE FOREIGN POLICY GAINS

15

Portugal is showing renewed confidence in its foreign policies following several military successes in Africa and a tightening of its relations with certain Western European countries. This confidence is reflected in a somewhat less critical attitude toward the United States.

## NORWAY MOVES TO COUNTERBALANCE SOVIET PRESENCE IN SVALBARD

16

A 1920 treaty gives Norway sovereignty over this group of islands (the largest of which is Spitsbergen) but allows the Soviets to exploit its coal deposits. The Norwegians, believing Soviet mining activity masks an increasing interest in the islands' military potential, are moving quietly to assert their control there.

WESTERN HEMISPHERE

## CUBAN SUGAR CROP PROSPECTS BETTER THAN LAST YEAR

17

An earlier than usual start on the harvest and improved cane-cutting operations may help boost sugar production this year to 4.5 to 5 million metric tons, higher than last year's estimated 4 million but still short of the 5.5 million Castro claims is needed to meet commitments.

## RELATIONS BETWEEN BRAZIL AND URUGUAY CONTINUE STRAINED

17

Uruguay refuses to give in to Brazilian pressures to curtail the activities of Brazilian exiles. Prolonged delay in achieving a solution to this problem could have harmful effects on Uruguayan-Brazilian trade.

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ECONOMIC SLOWDOWN IN ECUADOR A sudden drop in the exchange rate of the Ecuadorean sucre may foreshadow the end of generally favorable economic conditions that have prevailed since the junta took power in July 1963.	18
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NEW TENSIONS AMONG DOMINICAN MILITARY LEADERS Tensions increased following Triumvirate President Reid Cabral's removal of the national police chief and the air force chief and the transfer of the police to military control.	20

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The Communist World

**SOVIET CHEMICAL PROGRAM MODIFIED**

New investment in the Soviet chemical industry this year will be considerably less than originally planned, but an extensive new program of bonuses designed to promote maximum use of capacity indicates that the industry retains a high priority. Increases in output will probably continue to be impressive at least through 1965. The new leaders' major changes in the chemical program so far appear to be short-term adjustments, which put emphasis on completing unfinished plants and on bringing new ones up to designed rates of output. Some new construction projects planned a year are apparently being postponed.

State centralized investment in the chemical industry this year now is planned to increase by only 255 million rubles instead of 665 million rubles as projected a year ago for 1965. The head of the State Committee for the Chemical Industry recently stated that investment in 1964 increased by 37 percent over 1963. Although this fell short of the 45 percent planned, it is nevertheless well above the increase now projected for 1965.

Simultaneously with the release of the new investment figure the USSR disclosed the

establishment of the extensive new bonus program designed to stimulate a sharp rise in the output of plants already in operation. A serious weakness of the chemical program has been the slow pace at which plants have been put into operation and brought up to planned capacity. Many plants apparently are producing at less than half of their rated capacity.

Bonuses are based on a sliding scale and will be awarded for increases in output above 60 percent of the rated capacity of the plant as long as quality standards are met. Only at capacity operation is it specified that premiums depend also on staying within planned production costs. Although the program will be in effect only in 1965, this incentive arrangement for an entire sector of the economy goes substantially beyond previous piecemeal programs designed to increase output of specific items.

Other recent actions relating to the chemical industry demonstrate that the new government is reviewing this priority program in the light of its costs and future benefits. The chemical industry continues to be pre-eminent

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## The Communist World

among nonmilitary industrial branches, but its development will be more related to policies designed to meet other economic problems than was the case under Khrushchev.

Despite the availability of some \$650 million in long-term credit for imports of chemical plants and equipment from the West, contracts concluded in 1964 amounted to only about \$240 million. More purchases may be made, but recent statements by Soviet officials strongly suggest that such imports will be considerably below the level implied under the Khrushchev program. Continuing uncertainty about future investment patterns, as well as the low level of financial reserves, probably underlies this change in plans.

Little progress has been visible in the year-old program

to convert some facilities in other branches of industry to produce chemical equipment. Only two of the 20 plants so identified have been noted as complying with this decision, and it is questionable how much of their capacity has actually been conscripted for this purpose. Production of chemical equipment last year probably was short of the 25-percent annual growth rate implied by the two-year goal.

Although the 1964-65 targets for chemical products will probably be met by and large, the various problems of this industry and the government's sober response indicate that at least some of the 1966-70 goals will be lowered. It was admitted last November that the economy's requirements for products of the chemical industry will not be completely met by 1970.  25X1

## RECENT SOVIET MILITARY AID DEVELOPMENTS

The USSR has emphasized its intention to proceed with its long-range military aid policy by rapidly negotiating a new arms pact with Egypt

and by a spate of deliveries to other recipients.

Egyptian military officers already are winding up contracting sessions for a large new

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## The Communist World

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arms purchase, first broached in Moscow in early November.

Shipments under previous pacts are continuing. During the first half of January, seven Soviet ships arrived in Egyptian ports carrying cargo which included spare parts, tanks, helicopters, armored cars, artillery, trucks, and surface-to-air missile (SAM) equipment for the expanding Egyptian air defense program.

Moscow's aid program in Somalia is also moving ahead rapidly. Following the first major delivery in late October, two shiploads of military equipment arrived in mid-January. These included the first aircraft--three MIG-15 jet fighters--as well as tanks, armored cars, artillery, and truck-mounted radar and communications equipment, probably to support the aircraft. Future shipments are likely to include more advanced MIGs, some helicopters, and two navy patrol craft--the first to be received from the USSR.

The initial shipment to Indonesia under the arrangement

worked out by General Nasution in October may be under way.

The Soviet Union continues its maintenance shipments to Cuba and is negotiating with other military aid partners. In late December the year's seventh all-military Soviet cargo arrived in Mariel.

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The Communist World

## SOVIET ECONOMIC AID ACTIVITIES IN AFRICA

The USSR continues cautiously to increase its aid commitments to African countries. In November and December Moscow initiated aid programs in Senegal, Uganda, and Congo (Brazzaville) with the extension of economic credits of \$7 million, \$16 million, and \$9 million respectively. In Kenya a Soviet delegation completed negotiations for a \$44-million aid program agreed upon in principle last May. These new programs raise the total of scheduled Soviet economic assistance to Africa to over \$750 million.

Despite continuing difficulties in implementing earlier credits in Ghana and Guinea, Moscow may be prepared to offer additional assistance to both countries. A proposed Ghanaian visit to Moscow to seek budgetary support was put off

Although Moscow is unlikely to provide budgetary support funds, it may offer additional economic credits as an alternative. In a recently concluded trade agreement, Moscow continued its procedure of several years of providing trade credits to Ghana to finance the import of Soviet commodities for sale on the local

market to generate local funds for development projects.

Elsewhere in Africa, progress under Soviet aid programs continues to be varied. Moscow appears to be stepping up implementation of its economic aid program in Algeria. Large numbers of Soviet technicians have arrived to begin surveys for the construction of 28 small dams, to carry out geological and topographical studies, and to participate in agricultural projects. The next six months should show an acceleration in Soviet deliveries of equipment and material as actual construction begins. In the Sudan and Tunisia moderate progress continues to be made on Soviet aid projects. In Tanzania, despite repeated references to proposed Soviet aid projects and the arrival in early December of a Soviet delegation to undertake feasibility studies, no final contracts have been signed thus far.

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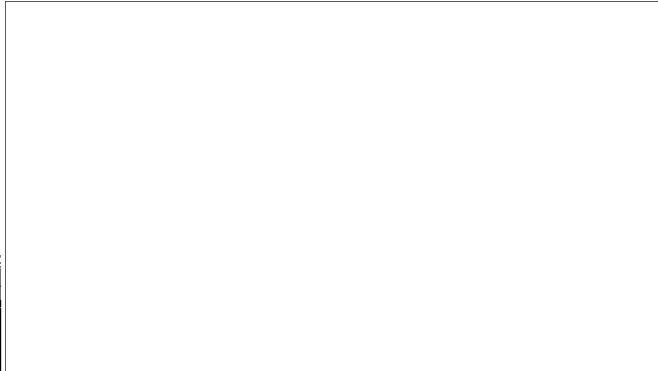
The Communist World

**COMMUNIST CHINA'S 1964 AID SETS NEW HIGH**

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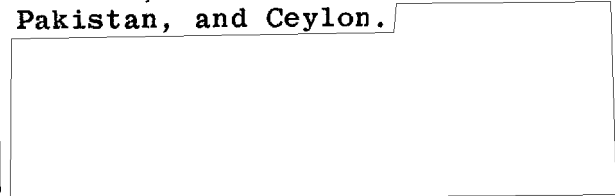
Communist China ended 1964 with a flurry of aid activity bringing its total economic aid commitment to free world countries last year to a record \$340 million. Chinese offers to provide economic aid are used as an important adjunct to Peiping's efforts to penetrate underdeveloped countries politically, but represent little cost to China. The agreements usually provide for long-term supply of Chinese goods and services on favorable credit terms. Actual drawing of recent credits--like those granted earlier--is likely to be slow.

In late December, Cairo reportedly received credits of \$80 million to finance imports of Chinese plants and industrial equipment during the UAR's second five-year plan starting in March.



In 1963, all of the \$90 million extended to non-Communist countries was concentrated in Africa and the Middle East. Last year, in addition to credits given to the UAR and Indonesia about \$115 million went to Africa, and credits of \$28 million, \$60 million, and \$4 million, were extended to Yemen, Pakistan, and Ceylon.

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Asia-Africa

**GENERALS WIN STRONG VOICE IN SOUTH VIETNAM CABINET**

South Vietnam's generals, following up their detente with Premier Huong's civilian government, have now won a strong, if not dominant, voice in his cabinet. In a cabinet reshuffle which removed the civilians under Buddhist attack from the ministries of information and finance, the military accepted appointments of three generals as defense, youth, and psychological warfare ministers. A fourth general will serve as second deputy premier, and will probably be responsible for all activities related to the war effort against the Viet Cong.

By failing to appear for initial investiture ceremonies, the military now appear to have won new last-minute concessions as the price of their participation in the cabinet. Charging that the reshuffled cabinet was still not sufficiently "revolutionary," they raised further demands for the ouster of at least two additional civilians, the ministers of foreign affairs and health, who they alleged had "unsavory" connections with past regimes. These demands

stemmed primarily from air force chief General Ky, the new youth minister, who has also insisted on retaining his air force command.

Huong's apparent readiness to yield to the military demands is based on his desire for

their support in the face of the continuing Buddhist challenge. Five top-ranking monks, including Tri Quang, on 20 January began a hunger strike "to the death" to try to force Huong's removal. Although Buddhist leaders claimed that they were simultaneously calling an end to public agitation against Huong, their hunger strike appears designed to bring public pressure on him. New disorders by Buddhist supporters in Saigon have already occurred, and further public demonstrations are likely.

Viet Cong terrorist and military activity declined in both scale and intensity for the second consecutive week. Only one company-size or larger attack was reported. The campaign of harassment against district administrative centers fell off sharply. However, the discovery on 16 January of a large explosive device at a US military swimming pool in Saigon lends credibility to numerous reports that the Viet Cong may try to perpetrate spectacular incidents against US personnel or installations, in addition to intensifying pressure in the countryside, prior to "Tet," the Vietnamese New Year celebration from 2 to 4 February. On the government side, a marked increase in battalion-size operations resulted in heavy Viet Cong casualties and weapons losses.

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Asia-Africa

**INDONESIA MAINTAINS PRESSURE ON MALAYSIA**

Indonesia continues to talk about a peaceful settlement of the Malaysia dispute but at the same time is pursuing its military build-up and small-scale infiltration activities.

President Sukarno publicly reiterated on 14 January his willingness to accept a peaceful settlement if based on an investigation of popular wishes in North Borneo by an Afro-Asian Commission or even by the United Nations. A few days later Foreign Minister Subandrio said Indonesia was prepared to hold peace talks with Malaysia and the UK "without preconditions." This appears to have been made only for public effect, for no diplomatic overtures have followed.

Meanwhile the Indonesian military build-up in Borneo fronting the Malaysian border continues. Small-scale infiltrations of mainland Malaysia occur weekly, but most of the

participants are killed or captured.

Djakarta apparently is still shaping its policy and tactics toward the United Nations. Indonesian officials have stated during the past week that although Djakarta has withdrawn from the UN, it will not withdraw from all of the associated organizations.

There are indications that Indonesia is trying to persuade Afro-Asian nations to take their regional and bilateral problems to the forthcoming Afro-Asian conference in Algiers rather than to the UN. The Algiers conference--now scheduled for March--may be postponed until May. Although Indonesia earlier opposed a delay, it now may prefer to have more time for its international lobbying. Subandrio may raise this subject on his visit to Peiping scheduled during the next few days.

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Asia-Africa

**BURUNDI PREMIER ASSASSINATED**

The assassination on 15 January of Prime Minister Ngendandumwe of Burundi grew out of a struggle, backed by the King, to change the country's pro - Chinese Communist, pro - Congolese rebel foreign policy, and also out of the bitter rivalry between Burundi's majority Hutu people and the minority but long-dominant Tutsi tribe.

Ngendandumwe, a Hutu, had been named head of government only a week earlier when the King dismissed his predecessor, Albin Nyamoya, a Tutsi. The King was worried over Nyamoya's radical stance and the growing influence and freewheeling of Chinese Communist diplomats. He also feared that Nyamoya's aid to the Congolese rebels would provoke retaliation from Leopoldville. Ngendandumwe had barely announced his new government and declared that henceforth Burundi would observe a policy of strict non-alignment and noninterference abroad when he was shot.

A Tutsi refugee from neighboring Rwanda, where the Hutus have already wrested control from the Tutsis, has confessed to the assassination. He said his refugee supporters feared Ngendandumwe would expel the some 150,000 Rwandans now in Burundi. He has implicated as his accomplices other extremist Tutsi elements and leftist leaders of a Peiping-

subsidized labor union and youth group.

Severe security precautions have been taken as a result of the King's fear of a coup attempt. A curfew has been declared in Bujumbura, the capital. Troops led by Belgian officers are patrolling the streets, and the labor union and the youth group have been banned.

The King has also asked Belgium to make stand-by troops available to be called in in the event of an emergency. Although no disorders have occurred yet, the situation remains tense, and clashes along tribal lines are possible.

How much of a setback the assassination represents is not yet entirely clear. It seems unlikely that the King can entirely eliminate extremist Tutsi influence; the Tutsis are more dynamic and better educated and trained than the Hutus, and are struggling to maintain their dominance. The King still appears, however, to be bent on reversing or at least moderating Burundi policy. He has asked another Hutu, Joseph Bamina, president of the leading party UFRONA, to become prime minister and apparently plans to keep the government named by Ngendandumwe.

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Asia-Africa

**SKIRMISHING CONTINUES IN LEOPOLDVILLE CONGO**

Fighting resumed throughout the Congo last week as government troops and rebels jockeyed for the more advantageous positions following the previous lull of activity.

The government is preparing a major effort to push to the towns of Aba and Aru near the Sudanese and Ugandan borders. The garrisons in Paulis and Bunia in the northeast are gathering men and equipment for this concerted drive to seal or control the border areas in order to cut off the flow of supplies to the rebels. Meanwhile, at least one group of rebels is reported to be wearing uniforms and using modern weapons and equipment.

The center of Stanleyville is secure, but sizable numbers of rebels continue to operate in the adjacent countryside and continue to harass all government forces entering or leaving the city. Insurgents have also been infiltrating the city by posing as government supporters.

The government's position around Uvira continues to deteriorate, and the army may not be able to hold this strategic city. The army garrison is somewhat unreliable, and the rebels on the surrounding high ground possess mortars and reportedly now control the road to Burundi. The availability of sizable quan-

ties of supplies from Burundi depends on the outcome of that country's current political crisis.

In Uganda last week, the leaders of East Africa--Premier Obote of Uganda, President Nyerere of Tanzania, and President Kenyatta of Kenya--met on the Congo question with rebel representatives present. They probably agreed to coordinate their efforts more closely and may have decided to step up their assistance to the rebels. The Organization of African Unity's Congo Committee is scheduled to meet again on 29 January in Nairobi. It may press the search for a political solution.

In Leopoldville, Premier Tshombé's popularity continues to grow following his firm stands on the financial negotiations with Belgium and on recent comments by Adoula. Adoula's public statement that Tshombé "must go" and his suggestions for negotiating with the rebels have unleashed a wave of demonstrations against him--to some extent government inspired--in Leopoldville. Negotiations with Belgium remain stalled since Tshombé's recent decision not to visit Brussels.

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Asia-Africa

## BREAKDOWN OF ORDER THREATENED IN BRAZZAVILLE CONGO

In the wake of the recent French withdrawal of all tactical military units, Brazzaville's radical regime is facing a mounting security problem which could soon lead to a general disintegration of order. To meet this real danger, and some imagined ones, the regime has called on radical African states for immediate assistance.

Although the regime has silenced all domestic opposition, the political situation has remained unsettled. No single leader has emerged to exercise an effective sway over the heterogeneous grouping of extreme leftists who now hold almost all top government and party positions. The regime's authority over local officials, particularly in rural areas, is questionable at best. Outside the regime there are disaffected tribal, religious, and trade union groupings of considerable size whose discontent is likely to grow as the economic situation continues to deteriorate.

In any event, the regime's ability to maintain order seems almost certain to be challenged by the activities of the free-wheeling, party-sponsored youth movement with which the 1,200-man gendarmerie, the only reasonably disciplined force, has clashed on several occasions. The youth movement, which now numbers some 1,500, arbitrarily arrests "counterrevolutionaries"

and harasses the foreign community.

Brazzaville's undisciplined 900-man army is totally ineffective. In addition to signs of mounting dissatisfaction among the lower ranks over pay, promotions, and other perquisites, there reportedly now is a growing rift between the two top commanders.

In an effort to cope with these problems and the most prominent imagined one--that the US is encouraging subversion and possibly an invasion by the Tshombé government in the Leopoldville Congo--the Brazzaville regime has turned to radical African states.

[REDACTED] Since late last year the regime has been negotiating a defense agreement with Ghana which would establish a common external command.

Paris, which had earlier refrained from using its considerable economic leverage to effect favorable political changes, has recently begun to react sharply against harassment of its nationals. In December and again last week the French ambassador threatened to withdraw aid and essential technical personnel if conditions did not improve. Local French business interests also appear increasingly concerned about the attitude of the regime and the general security situation.

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Asia-Africa

**GHANA POSTPONES ECONOMIC CRISIS**

An eleventh hour \$56-million credit reportedly granted Ghana by a French-Swiss consortium has averted a major economic crisis which had appeared likely to come to a head next month. This credit and others likely to follow from West Germany and Canada are geared to financing imports. However, they will only mask Ghana's basic financial problem of living far beyond its means.

Nkrumah's grandiose and often nonproductive projects at home, added to costly political adventures in pursuit of pan-Africanism, have absorbed most of the economic assets Ghana possessed at independence. In recent months government spending has been financed increasingly by short-term loans from foreign suppliers and banks, and the nation's debt has risen alarmingly. Payments have lagged or even been ignored, and Ghana's normal creditors, chiefly the US, the UK, and the Soviet Union, now are showing a marked reluctance to lend any more.

With the evaporation of its international credit rating, Ghana has paid dearly for new loans. This latest credit reportedly will cost the government 15-20 percent in commissions, carrying charges, and kickbacks. It is to be secured by 120,000 tons of cocoa, 25-30 percent of the annual crop.

The chaos which prevails in Ghanaian monetary circles

obscures the picture. Records are so poorly kept that the government is not at all sure how much it owes and to whom payments are due. There is also substantial reason to suspect that financial data are deliberately falsified and that conditions are even worse than recent official statistics indicate. Nkrumah seems unaware of the seriousness of the problem and reacts with chagrin and anger when foreigners attempt to describe Ghana's domestic economic problems and poor international financial posture.

The record \$560-million 1965 budget will exacerbate the situation. Anticipated revenues are at least \$200 million less than expenditures. Pending moves to narrow the gap reportedly include a government pension scheme requiring a joint employer-employee contribution of 22.5 percent of wages. This, however, would only worsen the position of a labor force already caught in the vise of rising prices and fixed wages, and would encourage employers to hasten planned layoffs. The budget calls for increased taxes which are certain to be unpopular. Imported consumer goods may become critically short next month despite the latest foreign credit. The situation is markedly worse than in 1961 when a new tax sparked a series of strikes.

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Europe

## POSSIBLE COMMUNIST REPRESENTATION IN EUROPEAN PARLIAMENT

The European Parliament (EP), the debating forum of the three European communities, may get its first Communist members if and when the Italian Parliament fills the present vacancies in Italy's 36-seat delegation.

Both the Nenni Socialists and the Italian Social Democrats are committed to the principle of Communist representation on that delegation. As recently as 5 November, President Saragat, then foreign minister, publicly supported the principle. He has also declared, however, that the matter was one for the Italian Parliament itself to decide.

The EP has not heretofore included any Communists because they have been systematically excluded from the national delegations by the majority parties in member countries concerned. Given the strong initial hostility of all the European Communist parties to the three communities, it was thought they would be a disruptive element in the Parliament. Moreover, there has also been some reluctance to set a precedent for the WEU assembly and the meetings of the NATO parliamentarians where Communist presence might be a security problem.

Many EP officials and members have long recognized, how-

ever, that the Communists might eventually be seated--especially if the EP should become a directly elected body--and some of these officials now see certain advantages in it. They expect that the presence of Communists would not only contribute to "realism" in the Parliament's debate, but also tend to consolidate a pro-European majority on basic issues. The parliamentarians of all parties, moreover, are probably not averse to obliging the community executives to be more responsive to an EP which contains a vigorous opposition, and the membership would also welcome the increased public attention to the body. EP officials doubt in any case that Communists would be seated now in sufficient numbers to obstruct community business.

Seating of Italian Communists would probably have important implications for the French Communist Party, which has never relaxed its antipathy to the Common Market. It might also serve as a lever for certain Communist trade unions which have recently demonstrated increasing interest in gaining adequate representation in community affairs.

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Europe

## EEC COMMISSION PROPOSES FULL CUSTOMS UNION BY JULY 1967

The EEC Commission recommended this week to the Council of Ministers that the EEC completely dismantle all its internal customs barriers by 1 July 1967, and put into full effect the common external tariff (CXT) for imports from nonmember countries. Community agreement on this schedule would accelerate by two and a half years the schedule provided by the Common Market treaty.

These moves would probably also mean that the anticipated reductions of tariffs resulting from the Kennedy Round negotiations will have an earlier effect on the EEC than otherwise. To balance this speed-up of industrial integration the commission hopes to put uniform EEC prices for cereals, beef, and milk into effect in 1967.

The commission's acceleration proposals raise the most difficult problems for Italy, which feels it must still take

great strides to improve its economy in order to be prepared for the competition it will face in a full customs union. It is not always recognized that EEC membership and the Kennedy Round negotiations require Italy and France--the traditionally high-tariff EEC members--progressively to adjust to a decade of sustained and sharp tariff reductions. Rome may nevertheless be reluctant to press for too many special concessions for fear that such demands would relegate it to "second-class status" within the EEC.

The commission, in its endeavor to bring about further measures toward "economic union" --including common fiscal, monetary, and budget policies--will probably push strongly now to complete the community's customs structure at the earliest feasible date.

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## FRANCE AND EASTERN EUROPE

As a result of a mutual desire for closer relations, France and the Eastern European countries have been increasing their cultural, economic, and technical ties, and several ranking Communist government officials have recently visited Paris.

French Foreign Ministry officials have for some time indicated that Paris is particularly interested in forging links

with Rumania, Czechoslovakia, and Poland. Paris was therefore receptive to a Rumanian suggestion that Premier Maurer undertake an official trip to Paris. This trip, in July 1964, was the first postwar visit by a Rumanian of Maurer's rank to any Western capital. Follow-up talks in November 1964 resulted in the initialing of a three-year agreement aimed at increasing Franco-Rumanian trade by 60 percent.

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Europe

Relations with Czechoslovakia have been improving slowly since the signing of a two-year trade treaty last January. In September the two countries agreed to promote cultural, scientific, and technical exchanges, and in November Foreign Minister David led the first official Czech delegation to visit Paris since 1948.

Despite expressions of interest on both sides, Polish-French relations have been static for a year with neither country ready to make any significant moves toward improvement. No high-ranking Polish official has joined the parade of East European visitors to Paris.

French Foreign Ministry officials assert that discussions with Yugoslav Foreign Minister Popovic, who was in Paris in November 1964, were somewhat disappointing. They were pleased, however, that Yugoslavia took the initiative in this case, and expressed interest in exploring various possibilities for cultural and economic cooperation with Belgrade.

Talks with Hungarian Foreign Minister Peter in January 1965, were, according to the French, "rather mechanical and sterile." The two countries had already

agreed in principle, however, to conclude a long-term trade agreement, and French Foreign Minister Couve de Murville is said to be contemplating a trip to Budapest.

Other developments in French - East European relations include an excursion to Paris by the Bulgarian foreign minister in November 1964, and France's conclusion of trade agreements with Bulgaria and East Germany.

France's present attitude toward Eastern Europe fits with De Gaulle's over-all objective of developing some sort of European structure which he thinks would lay the groundwork for the solution of European problems. Paris, however, can be expected to proceed with caution so as not to upset its relations with either West Germany or the USSR. Thus the French are likely to continue relying on trade and culture as the best way to broaden the framework for improving relations with the East Europeans.

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Europe

## PORTUGUESE FOREIGN POLICY GAINS

The Portuguese Government is conducting its foreign relations more confidently following a series of military successes in its African provinces and a tightening of relations with certain West European countries. Its confidence is reflected in a somewhat less critical attitude toward the US, but the change rests essentially on a belief that certain Portuguese policies which had been criticized by the US have now been vindicated. Thus important points of friction promise to remain unresolved for some time to come.

The Portuguese have been particularly pleased with the way they have been able to resist pressures aimed at weakening their position in Africa. Their forces have made impressive gains in pacifying Angola, where the nationalist rebellion has been contained in a small area in the north. In Mozambique, attacks by nationalists based in Tanzania have so far been successfully parried. Even in Portuguese Guinea, where their hold is the weakest, the Portuguese have held their ground in the past several months.

Military success has inevitably strengthened Lisbon's determination to hold on to its

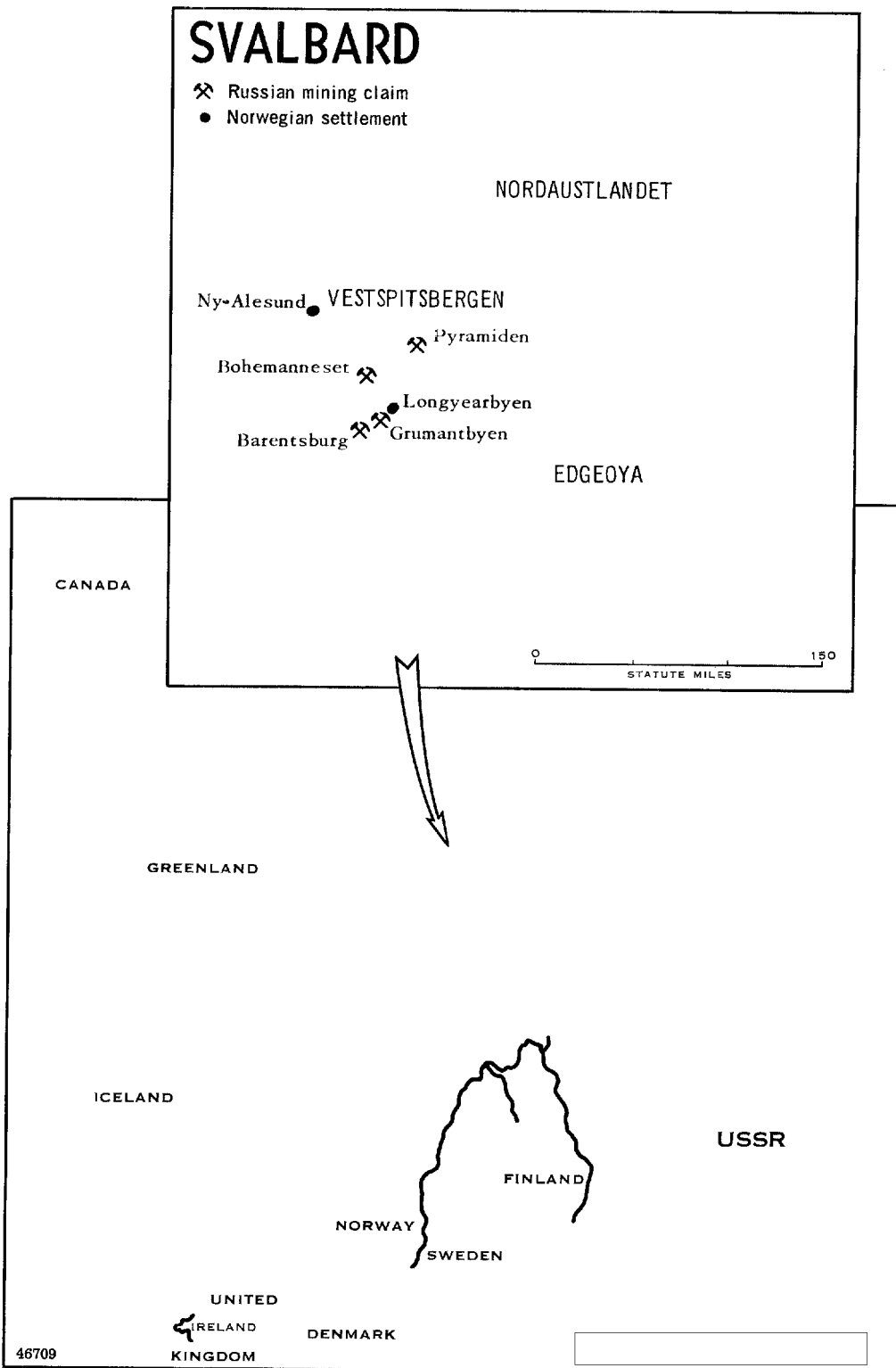
overseas provinces. This determination, moreover, is becoming all the more rigid as Lisbon observes the chaos in the Congo and anti-Western tendencies in various newly independent East African states.

In Europe, Lisbon has assiduously cultivated its relations with West Germany, France, and Spain. One result was an agreement with Bonn for the joint construction of extensive German military facilities in Portugal. Another was the ceding to France of a ballistic-missile tracking site in the Azores.

A measure of Lisbon's inclination to improve relations with the US was the repatriation last month from Portuguese Guinea of all F-86s provided under the US Military Assistance Program. More recently, the Portuguese agreed to cooperate in controlling shipments of strategic tantalite from Mozambique which were believed to be destined for Communist countries. Lisbon nonetheless has continued to show its displeasure over US African policy by putting off negotiations for renewing the Azores base agreement and for granting facilities for LORAN-C (long-range aid to navigation) which the US requested a year ago.

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Europe

**NORWAY MOVES TO COUNTERBALANCE SOVIET PRESENCE IN SVALBARD**

During the past few months the Norwegian Government has moved to bolster its authority over the Svalbard island group as a counter to Soviet interest in the area. Although sovereignty over these islands (the largest of which is Spitsbergen) resides with Norway by virtue of a 1920 treaty, the Soviets operate a coal mining concession which Norway was bound to grant to any interested signatory of the treaty.

Norwegian experts feel, however, that economically exploitable coal deposits are rapidly being exhausted and that these do not justify the presence of a growing number of Russians, who, at latest count, outnumbered Norwegians on the islands 2,700 to 900. The Norwegians also believe the Russians have increasingly used their mining rights as a cover for their interest in the islands' military potential as an advanced base on the flank of the North Atlantic and Arctic Ocean approaches to northern Soviet ports.

Until the end of last year, Norway, anxious not to antagonize Moscow, made no effort to supervise Soviet activities. However, Oslo now appears apprehensive about continuing this policy and seems to be moving quietly to assert its control over the islands.

In November, a bill was submitted to the Norwegian parliament by the Ministry of Justice

to establish a Svalbard Council, the function of which would be to keep the government informed on matters affecting the political and economic interests of Svalbard. The chairman of the council would be the minister of justice. Another move was an agreement in December to cooperate with the European Space Research Organization (ESRO) in the construction and operation of a space research station to be located at Ny Alesund (see map on facing page). The Norwegian Technical and Natural Science Research Council, a semigovernmental organization, will build and operate the telemetry station.

There is also growing pressure to construct a civil airfield on Spitsbergen. The chief of the air force recently stated in public that he was extremely dissatisfied with the conditions under which pilots have to operate in emergency flights to the islands. He also said he thought the field should be built even if the Soviets objected.

This objection is virtually certain on grounds that the 1920 treaty specifies that the islands be permanently neutralized and nonmilitarized. Ever since the Norwegians joined NATO in 1949, the Russians have argued that an airfield on Spitsbergen is out of the question because it would be used as a NATO base in time of war.

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Western Hemisphere

**CUBAN SUGAR CROP PROSPECTS BETTER THAN LAST YEAR**

Cuba can apparently look forward to sugar production in the range of 4.5 to 5 million metric tons this year, compared with approximately 4 million tons in 1964. This falls short of the 5.5 million tons that Castro recently claimed Cuba had to produce to meet its domestic and foreign commitments, but the anticipated improvement is enough to justify some of Havana's current optimism.

Cuba probably has enough standing cane to produce as much as 5.5 million tons. In the past several years, the country has not been able to cut all available cane and probably will not be able to do so in 1965. However, several factors indicate the harvesting problems will not be as severe this year.

The harvest season began in early December in certain regions of the country, several weeks ahead of normal. Also, five hundred new Soviet cane cutting combines now are believed to be in operation. Although these have not had ex-

tensive field testing, they may be able to cut sufficient cane to make a difference of several hundred thousand tons over last year's performance.

The regime is also making an all-out effort to increase the effectiveness of the cane cutting personnel. A concerted drive is under way to reduce the number of inexperienced people in the fields, in hopes that this will increase production and at the same time cut down on damage to the cane. Favorable rainfall and the increased use of fertilizer may increase the sugar content of the cane.

The sugar mills are believed to have sufficient capacity to mill the available cane. Mechanical maintenance of the mills is not expected to be as great a problem this year. The transportation system has increased in efficiency and also will be aided by the acquisition of new vehicles from both the bloc and the free world.

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**RELATIONS BETWEEN BRAZIL AND URUGUAY CONTINUE STRAINED**

Relations between Brazil and Uruguay have cooled perceptibly in recent weeks over the contentious problem of Uruguayan handling of Brazilian exiles. The press of both coun-

tries has covered the question heavily and bitterly

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The bombing of the Brazilian trade

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## Western Hemisphere

office in Montevideo last week has added to the strain.

Brazil is disturbed by its neighbor's refusal to expel or restrict effectively the activities of extreme leftists such as Leonel Brizola who have been trying to undermine the Castello Branco government from their Uruguayan asylum. Uruguay, piqued by several months of persistent pressure and by what it considers to be overaggressiveness on the part of Ambassador Pio Correa, is reluctant to accommodate the Brazilians for fear of provoking an adverse

internal political reaction. Montevideo is also determined to uphold the traditional rules of asylum.

Despite the growing friction, there is no indication that either government is considering a break in relations. A prolonged delay in achieving a solution to the exile problem, however, would probably have harmful effects on trade. It might, for example, interfere with current negotiations for the sale of Uruguayan wheat to Brazil.

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## ECONOMIC SLOWDOWN IN ECUADOR

A sudden drop in the previously stable exchange rate of the Ecuadorean sucre may foreshadow the end of the generally favorable economic conditions that have prevailed in Ecuador since the military junta took power in July 1963. The junta for the first time faces some loss of confidence on the part of the business and financial community.

The causes of declining business confidence are unclear, but deteriorating trade prospects of the banana, Ecuador's major export, is probably an important factor. Banana exports

dropped slightly during 1964, and this trend is likely to continue during the coming year. A new stamp tax on domestic commercial transactions, and possible currency market manipulations may also be involved.

Regardless of the exact cause, concern over the well-being of the economy, coinciding with the politicians' impatience with the junta's plan for a return to constitutional government, may make 1965 a much more difficult year for the reform-minded military government.

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## COLOMBIA BRACES FOR GENERAL STRIKE AND COMMUNIST TERRORISM

Two recent developments in Colombia--the threat of a general strike and the emergence of a Communist guerrilla force --appear to have caused feuding leaders of the governing National Front coalition to close ranks behind the Valencia administration.

The most immediate problem is the prospect that union leaders will go through with their plans to call a general strike on 25 January in protest against a new sales tax. The unions are being goaded on by some businessmen, who dislike the price freeze that was also imposed. The Communists are supporting the strike, as is ex-dictator Rojas Pinilla, who still exerts considerable influence.

It is not yet clear how effective the strike might be. About half the unions which originally were committed to support it have changed their minds. Those still bent on striking, however, claim they will be able to force a broad shutdown of business establishments.

A more ominous problem is the growing probability of an upsurge in Communist-inspired violence. The chances are there will be more attacks by Cuban-trained guerrillas like the one carried out against the north-central town of Simacota on 7 January. This attack has created an atmosphere of apprehension among many well-to-do groups. Their fear has been intensified by threats of urban terrorism published in propaganda sheets in Bogota and Barrancabermeja.

On 18 January an army spokesman reported the capture of three of the guerrillas who participated in the 7 January attack.

President Valencia has frequently been castigated by his political opponents for weakness and vacillation in dealing with national problems. There is, however, still no firm indication that present conditions have provoked a serious effort to oust him. On the contrary, it seems that the politicians are burying their hatchets--as they have many times in the past--in the interest of making common cause in a situation that appears to threaten them all.

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Western Hemisphere

## NEW TENSIONS AMONG DOMINICAN MILITARY LEADERS

Tensions have increased among rival Dominican military leaders following Triumvirate President Reid Cabral's recent removal of national police chief Brigadier General Belisario Peguero and the transfer of the police to military control. Reid took this action when it became apparent that Brigadier General Wessin y Wessin, who controls the most powerful armed forces units, planned to move against Peguero if the government did not.

To placate resentment that Peguero's ouster has generated among certain elements in the armed services, Reid also ordered the removal of the incompetent air force chief, Brigadier General Ismael Roman Carbuccia, who is closely allied

with Wessin y Wessin. The new air force chief, Brigadier General Juan de los Santos, is believed to be better qualified for the job than Roman Carbuccia, and may be able to reduce dissatisfaction among junior air force officers.

This move, however, has not dissipated tension among some high-ranking army officers who apparently fear that the balance of power has been tipped in Wessin y Wessin's favor. On 19 January they unsuccessfully attempted to force the transfer of three of Wessin y Wessin's aides. Although Reid has successfully maneuvered Peguero's ouster, the ensuing unrest among leaders of the armed forces indicates that his problems with the military are not over.

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