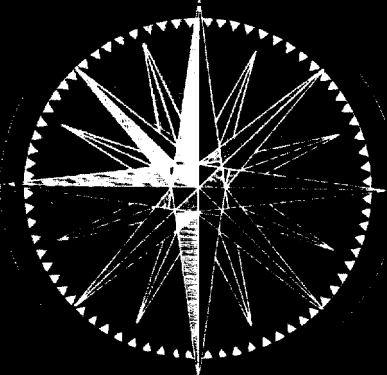


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WEEKLY SUMMARY

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

State Dept. review completed

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C O N T E N T S

(Information as of noon EDT, 9 September 1965)

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<p>The Communists are still infiltrating arms and personnel into South Vietnam in quantity, and North Vietnamese propaganda continues to express confidence in a Communist victory. Hanoi still shows no interest in peace talks, but it seems to have been sobered somewhat by recent military developments in the South and by the continuing air war against the North. Chinese Communist diatribes against negotiations have increased in intensity. The Soviet- and Vietnamese-manned DRV missile defenses continue to engage US aircraft. The Viet Cong during the past week were still following recent patterns, generally avoiding major contact with large US-Vietnamese units. The student antigovernment movement in South Vietnam has subsided.</p>	
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<p>For political reasons Bonn insists that trade negotiators continue to sign agreements as representatives of their respective currency areas, an arrangement that automatically includes West Berlin as part of West Germany. The East Germans may abrogate the current agreement as a bargaining tactic, but trade is not likely to be interrupted.</p>	
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<p>Pakistan's commitment of regular forces in Kashmir led to India's attack across the international boundary. The combatants' attitudes give little opening for UN Secretary General Thant's peace mission. Moscow is showing frustration over the conflict, and Peking, although cautious, probably sees an opportunity to inflict further damage on India and the West.</p>	

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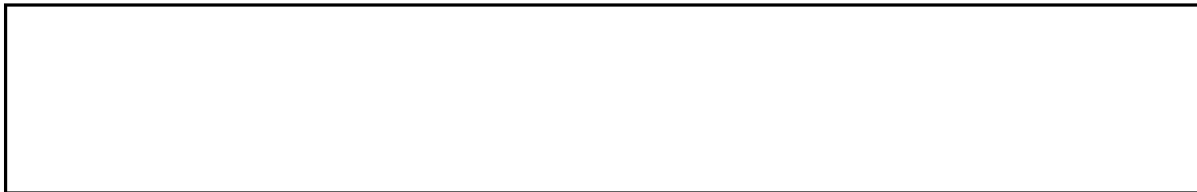
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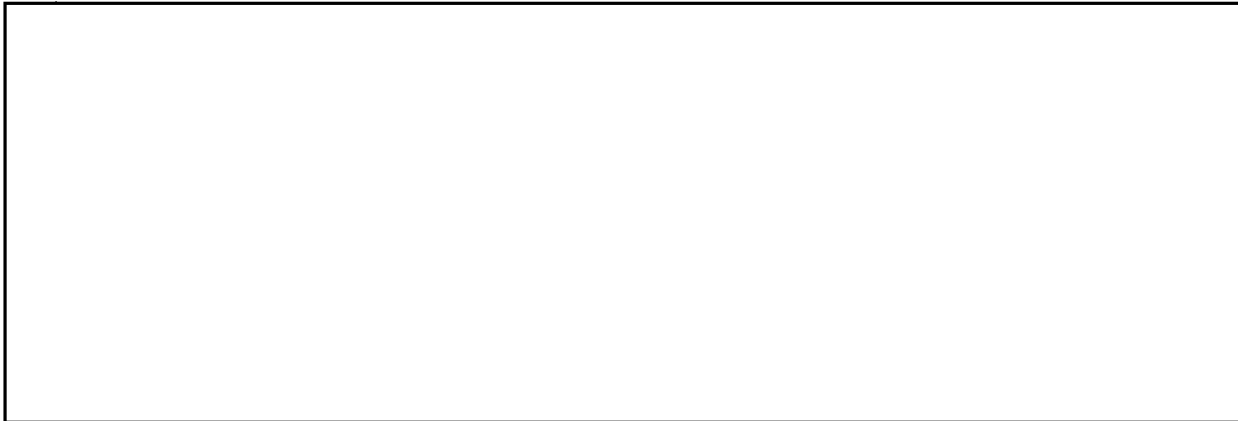
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- GREEK POLITICAL CRISIS REMAINS ON DEAD CENTER** 15
Last week's Crown Council failed to find a solution, and party leaders were unable to agree on a proposal to have the right-of-center National Radical Union form an interim government to supervise early elections.

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The trade talks are to resume on 16 September, when the major participants are to present lists of agricultural products on which they are willing to lower trade barriers. It is questionable how substantial these will be in the absence of parallel offers from the EEC, still paralyzed by the French boycott.

ITALIAN PRESIDENT TO VISIT LATIN AMERICA 18
The 10-23 September visit of President Saragat and Foreign Minister Fanfani to Brazil, Uruguay, Argentina, Chile, Peru, and Venezuela is unlikely to produce any major agreements, but increased economic, cultural, and perhaps political contacts will be discussed.

Western Hemisphere

DOMINICAN REPUBLIC INSTALLS PROVISIONAL GOVERNMENT 20
The Garcia Godoy regime is already beset by a number of major problems stemming largely from nervousness of the military over their position and continued efforts of the "Constitutionalists" to maneuver for a final victory.

JAMAICAN RIOTS REFLECT UNREST IN CARIBBEAN 21
The rioting apparently was sparked by a personal dispute between a local Chinese and a Jamaican and was not politically directed. It is symptomatic of an atmosphere of unrest fostered by widespread unemployment, poverty, burgeoning population, and racial tension.

LACK OF EVIDENT PROGRESS ON CANAL THREATENS PANAMA REGIME 22
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GUATEMALAN CONSTITUENT ASSEMBLY SETS MARCH ELECTION DATE 22
The Peralta regime's continuing concern over internal security, however, may lead it to delay the elections.



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COMMUNIST BLOC ECONOMIC RELATIONS WITH LATIN AMERICA

23

Negotiations on trade and economic aid now in progress between Communist bloc and Latin American countries may result in some new economic relationships, but their impact on the over-all level of economic exchanges will be delayed.

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SECRET**VIETNAM**

The Communists continue to infiltrate both armaments and personnel into South Vietnam in quantity. The first good photograph of actual military hardware destined for the Vietnamese Communists was obtained [redacted]

[redacted] at the Pinghsiang rail transshipment point near the Chinese/DRV border. Over 160 light and medium antiaircraft artillery weapons along with mortars, howitzers, fire control radars, and some 265 trucks were seen.

Substantial numbers of Communist troops continue to walk south past roadwatch teams in the Laotian panhandle. A team located some 25 miles north of Muong Phine has counted a total of about 3,500 southbound and 150 northbound enemy troops since 1 June. The majority of these have been identified as Pathet Lao rather than North Vietnamese, but their origin and destination remain unclear. Farther north, in the Mu Gia Pass area, 150 Pathet Lao troops have been counted walking south since 3 September, bringing the total southbound in this area to some 2,100 troops (and northbound 335 troops) since 1 June.

Communist Propaganda

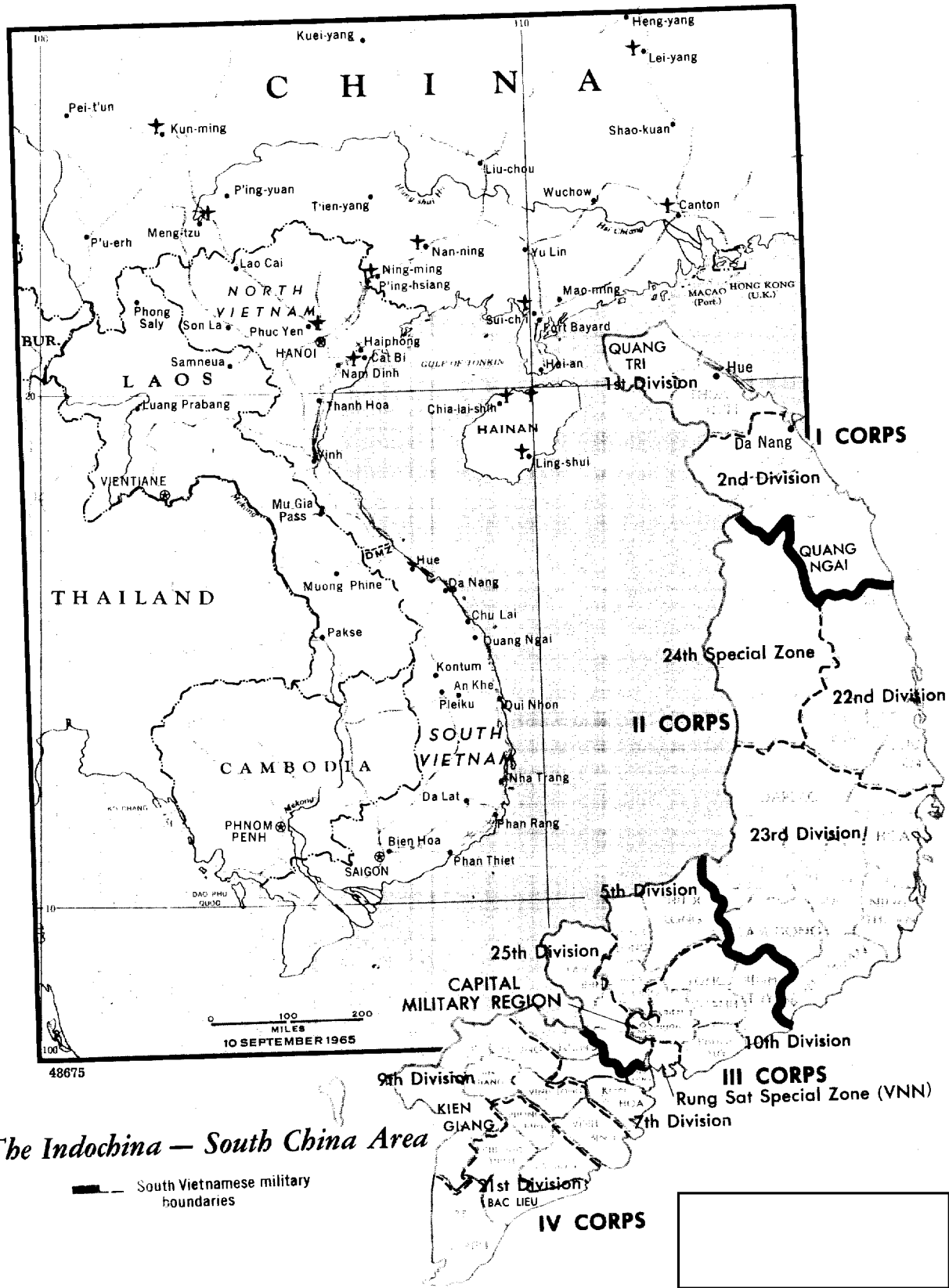
North Vietnamese speeches and propaganda continue to express confidence in a Communist victory, but there is a growing emphasis on the probable long duration of the conflict and on the necessity for greater per-

sonal effort by Vietnamese both North and South. There is no indication of any softening in the DRV position on negotiations, although Hanoi's propaganda continues to suggest that the regime will not hold out for a withdrawal of US forces from the South before the start of talks. At present, however, the North Vietnamese apparently are not interested in any type of discussions.

Although the DRV propaganda suggests that Hanoi has been sobered by the recent military developments in South Vietnam and by the attrition of the air war against the North, it is apparently not yet convinced that the Viet Cong cannot hold their own against the non-Communist forces. DRV propaganda has been putting special emphasis on assertions that the US is not prepared to conduct a prolonged war in Vietnam, but that the Vietnamese insurgents are prepared to do so and have the necessary resources.

Chinese Communist propaganda blasts against negotiations have picked up in intensity. Several have suggested that Peking doubts Hanoi's staying power in the conflict and is trying to encourage the Vietnamese. A 3 September broadcast on the US "peace smoke-screen" denounced as "fraudulent" alleged US desires to "discuss the four-point proposal" of the DRV Government, and warned that "nobody should allow himself to be taken in" by this "vicious

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The Indochina - South China Area

--- South Vietnamese military boundaries

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scheme." [REDACTED]

Peking used the 20th anniversary of Japan's surrender in World War II as the peg for a new flood of propaganda urging a bitter-end struggle against "imperialism" and promising eventual victory. The key statement was a 30,000-character article by Defense Minister Lin Piao in Red Flag and People's Daily on 3 September, which asserted that the Viet Cong and "revolutionary elements" elsewhere in the world can defeat the "imperialists" if they faithfully follow the theory of "people's war" which Mao used in defeating the Japanese. Lin declared that Mao's strategy was especially applicable today in Latin America, Asia, and Africa and emphasized that the current struggle in Vietnam was part of a grand strategic plan to "surround" the US and Western Europe.

The article reiterated Peking's standard line that the US is "clamoring" for war with China and warned once again that, if the US attacked, Peking would be free to decide where and how the war would be fought, implying that hostilities might involve all of Asia.

North Vietnamese Defenses

The Soviet- and Vietnamese-manned DRV surface-to-air missile

defenses continue to engage US aircraft. Since 4 September four, possibly five, SAM sites have launched missiles against US aircraft, and all have missed. There now are 18 confirmed SAM sites in North Vietnam as well as a number of as-yet-undetected SAM sites in various parts of the country from which missiles have been launched. Most of these sites are probably crudely constructed to take advantage of the mobility of the SA-2 weapons system and to thwart US attempts to destroy fixed SAM emplacements.

Fighting in the South

The second major US-Vietnamese ground operation in northeast Quang Ngai Province within the past three weeks was initiated on 5 September against a Viet Cong provincial headquarters and suspected troop concentration. Contact with the enemy was relatively light as compared with the previous action.

The Viet Cong during the past week continued to follow recent patterns, and generally avoided major contact with large US-Vietnamese units. The major exception was during a government operation 20 miles south of Da Nang when an enemy force estimated at battalion strength inflicted fairly heavy casualties. Smaller scale attacks continue to be launched against government outposts in the delta region south of Saigon, particularly in Kien Giang and Bac Lieu provinces.

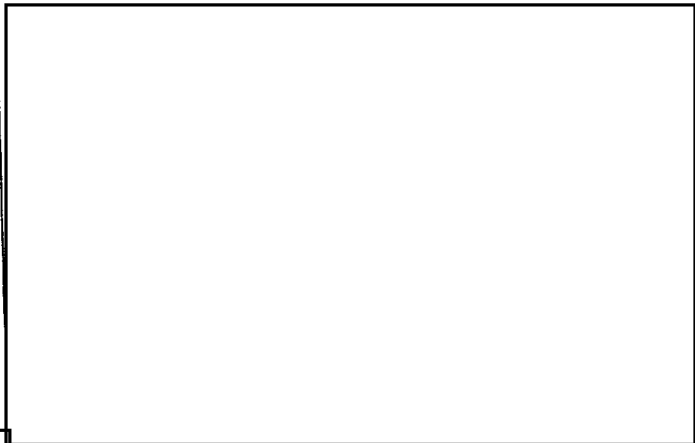
South Vietnamese Politics

The student antigovernment movement active in Hue since late

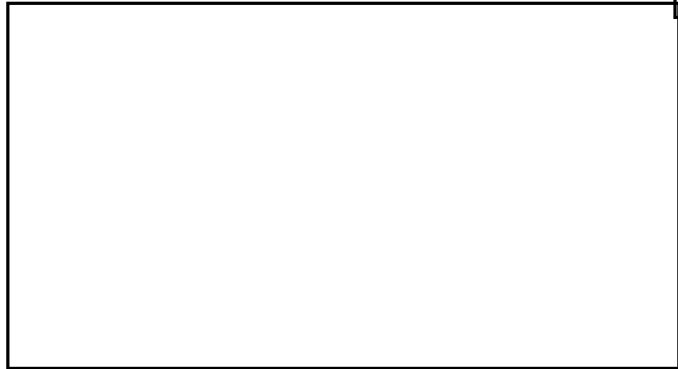
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August subsided last week. Efforts to spread the campaign to other cities failed, and on 5 September student leaders in Hué announced the cancellation of future public meetings. The reluctance of influential Buddhist leader Tri Quang to lend public support to the movement, and the public expressions of unity voiced by Premier Ky and General Thi, commander of the I Corps in which the unrest was concentrated, helped to stall the movement.



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Decrees giving the government authority to establish military zones in rural areas were also made public last week. Although details concerning the implementation of the decrees were not provided, the creation of the new zones may put renewed effort into the government's rural pacification program.

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The Communist World

BILATERAL MEETINGS BETWEEN SOVIET AND EAST EUROPEAN LEADERS

A round of official bilateral meetings which will bring most Eastern European leaders in contact with their Soviet counterparts within the next several weeks began on 3 September. These meetings probably are concerned primarily with questions of purely bilateral interest but designed also to keep the Eastern European leaders informed of Soviet plans and to foster an appearance of bloc solidarity.

Eastern European leaders, some of whom have been working toward the development of better relations with the US, will certainly focus attention on the Vietnam war and probe Soviet leaders for any indication

of a break in the diplomatic impasse. They have little choice, however, but to endorse the USSR's harsh indictment of US policies. Such public shows of "bloc solidarity" will abet Moscow's persistent effort to combat Peking's charges of a Soviet sellout on Vietnam.

In view of the rumors of pending changes in the Soviet leadership, the Eastern European leaders may attempt at the meetings to sound out the situation. Many of them were severely critical of Khrushchev's ouster last October because they were not consulted in advance.

Rumanian party Secretary General Ceausescu's current visit to

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TRAVELS OF SOVIET BLOC LEADERS
SINCE CHANGE OF MOSCOW LEADERSHIP

1964

- OCTOBER 24-25 Brezhnev and Kosygin meet Polish leader Gomulka in Poland to discuss repercussions of Khrushchev ouster and reassure Polish leader.
- NOVEMBER 7 Party first secretaries Zhivkov of Bulgaria, Gomulka of Poland, Kadar of Hungary, and Ulbricht of East Germany in Moscow for revolution anniversary; first visit after Khrushchev's ouster.
- NOVEMBER 30- DECEMBER 4 Czechoslovak party first secretary Novotny to Moscow to meet new leaders officially.

1965

- JANUARY 17-22 Brezhnev, Kosygin, Zhivkov, Novotny, Gomulka, Kadar, Ulbricht, and Rumanian party first secretary Gheorgiu-Dej in Warsaw for Warsaw Pact Meeting (which reportedly ended in disagreement).
- During this period Gomulka held talks with Brezhnev and Kosygin (21-22 January) and with Kadar (22 January) on bilateral matters.
- 29-31 Brezhnev in Budapest for talks with Kadar.
- FEBRUARY 2 Ulbricht met with Yugoslav party secretary-general Tito in Belgrade en route to Cairo.
- FEBRUARY 19- MARCH 2 Kosygin met Ulbricht at Leipzig for opening of Leipzig Fair.
- APRIL 4-9 Brezhnev and Kosygin in Warsaw for renewal of Polish-Soviet Friendship and Mutual Assistance Pact.
- MAY 8 Kosygin in East Berlin for V-E anniversary.
22-29 Kadar in Moscow for unpublicized talks.
- JUNE 2-8 Tito in Prague on official party-state visit.
8-12 Tito in East Berlin on official party-state visit.
- JUNE 18- JULY 1 Tito in Moscow on official party-state visit.
- JULY 19 Zhivkov, Ulbricht, and Brezhnev in Bucharest for Rumanian party congress.
- AUGUST 15 Rumanian party secretary-general Ceausescu (new party chief) in Bulgaria for talks with Zhivkov.
23 Ulbricht in Moscow for talks.
30 Kadar in Yugoslavia on vacation, talks with Tito.
- SEPTEMBER 3-11 Ceausescu in Moscow on official party-state visit.
6-15 Novotny to Moscow on official party-state visit.
*12 Ulbricht to Moscow for official party-state visit.
13 Ceausescu to Sofia for talks.
20-26 Tito to Sofia for talks.
- Late SEPTEMBER or Early OCTOBER Brezhnev to Sofia for talks.
- OCTOBER 12 Gomulka to Belgrade for official party-state visit.
12 Novotny to Sofia for talks.
- Late OCTOBER or Early NOVEMBER Tito to Bucharest for official party-state visit.

* date not confirmed

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the USSR, his first since he took power last March, may be an indication of improved relations between the two countries, but Bucharest's numerous differences with Moscow probably ensure that the meeting will not be entirely smooth. Czechoslovak boss Novotny, also in Moscow and reportedly at odds with Brezhnev, probably is particularly interested in economic matters, specifically those connected with his economic reforms. East German leader Ulbricht may have planned his imminent visit to Moscow to counter publicity generated by the West German elections. Bulgarian leader Zhivkov, whom Brezhnev will soon visit, will also be interested in economic matters, but less so than in convincing the Soviets of the stability of his regime following last April's coup attempt.

The Soviet Union has shown an increasing preference over the

past few years for frequent bilateral rather than multilateral bloc consultations, which create more problems for Moscow than they solve. This change in the Soviet modus operandi appears to be an adjustment to the growing nationalism of the Eastern European countries and the substantive differences among them. The Eastern Europeans themselves have also been emphasizing personal, bilateral diplomacy. Bulgaria, which has waged a year-long campaign to break out of its isolation within the bloc, particularly in the Balkans, has invited Ceausescu, Tito, and Novotny to make separate visits to Sofia this fall. Also this fall, Poland's Gomulka will make his first trip to Belgrade since 1957, and Tito will visit Bucharest, marking still another step in the warming Yugoslav-Rumanian relationship.

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IMPASSE NEAR IN GERMAN INTERZONAL TRADE TALKS

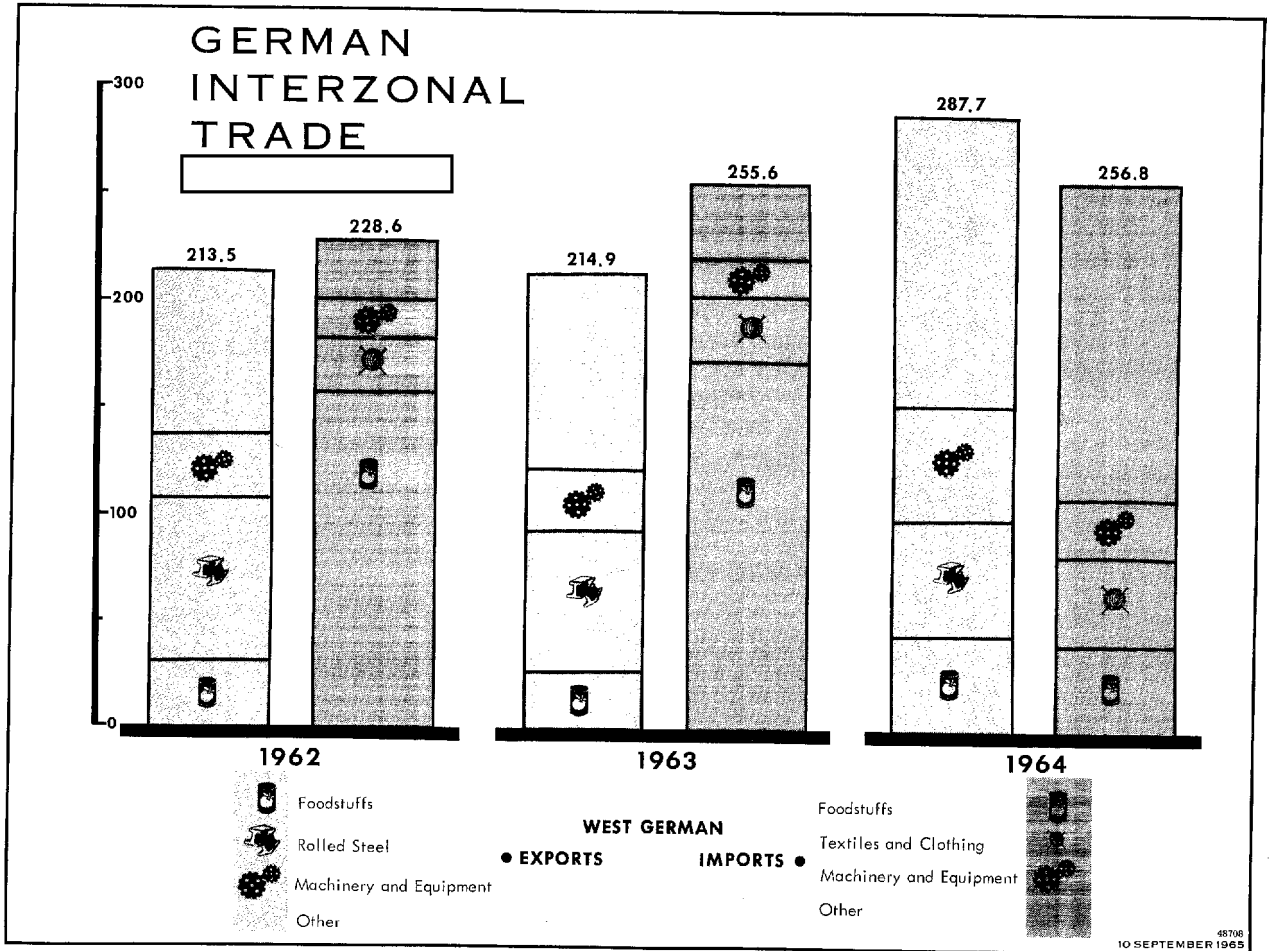
The possibility of an impasse in negotiations on interzonal trade (IZT) between West and East Germany has increased as a result of a Bonn cabinet decision to reject an East German counterproposal on the formula for signing trade agreements. For political reasons, the West Germans insist that signers of future agreements must, as in the past, sign as representatives of their respective currency areas, since any other formula would make it more difficult to include West Berlin in all trade agreements concluded by West Germany.

The present agreement requires that 90 days' notice be given prior to abrogation. As both sides derive advantages from maintaining interzonal trade at a high level, it is unlikely to be interrupted at the end of 1965, even if the East Germans resort to abrogation as a negotiating tactic. If the East Germans should denounce the 1966 agreement, they would be most likely to do so on 28 September, the date of the next regularly scheduled IZT meeting.

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Asia-Africa

INDIA AND PAKISTAN IN OPEN WARFARE

The warfare of the past week between Indian and Pakistani ground and air forces has brought the threat of all-out war in the subcontinent.

India's decision to carry the fighting across Pakistan's recognized boundary was in apparent reply to Pakistan's commitment of its regular forces in the Indian Kashmir area. Pakistan's thrust toward Jammu city, which began on 1 September, and the aerial attacks by each side that accompanied the ground activity, had hardened tempers in both capitals. India apparently decided on its major thrust across the border toward Lahore--in fact a several-pronged drive by approximately two divisions--in order to satisfy national honor and internal demands and to ease pressure on the Kashmir front. This action was followed by an apparently smaller move across the border toward Hyderabad and Karachi, to the south, and, according to Indian claims, a crossing of the Jammu - West Pakistan border toward Sialkot.

It appears that invading forces in most sectors have at least temporarily been slowed or contained after their initial progress. Pakistani troops in Kashmir apparently have not yet taken Akhnur, gateway to the Indian supply route junction of Jammu city. The Indian drive toward Lahore appears to be blunted.

In the south, the

Indians heading toward Hyderabad are claiming the capture of a town some five miles inside Pakistan. Rawalpindi denies this.

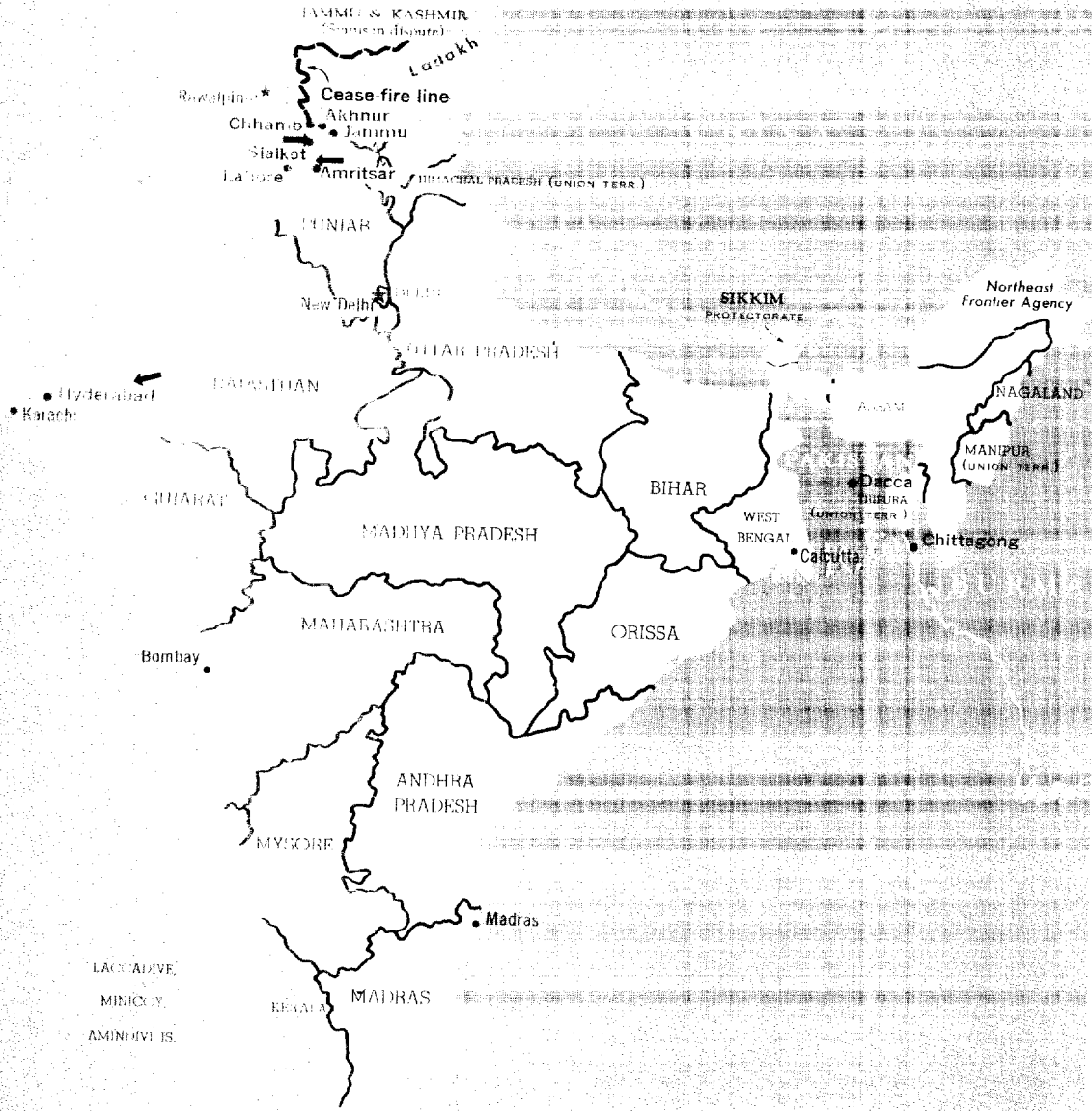
An Indian ground move against well-nigh indefensible East Pakistan has been rumored, and reports of Indian troop movements around its borders suggest the move may yet materialize. Indian Defense Minister Chavan, however, has said that the Indians do not visualize carrying the war into East Pakistan "at the present moment."

Both sides have vigorously pursued the war in the air. Some of Pakistan's largest cities or their environs--Lahore and Rawalpindi and possibly Karachi in West Pakistan and Dacca and Chittagong in East Pakistan--have been bombed, apparently with no great damage. Pakistani aircraft have attacked targets in or near Calcutta, Amritsar, and possibly Bombay and New Delhi. Each side has claimed heavy casualties to the other's air force, in both these and Kashmiri actions, but mutual denials obscure actual figures.

UN Secretary General Thant's peace mission faces formidable obstacles because the combatants' hostile attitudes have been solidifying over the past 18 years and have been reinforced by recent events. New Delhi wishes to force Pakistan to abandon its efforts to reopen the Kashmir question and to withdraw its forces from Indian Kashmir. Rawalpindi embarked on its

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Kashmir adventure after years of embitterment over India's control there, heightened in recent months by Indian political moves to perpetuate its rule.

An authoritative TASS statement on 7 September reflected Moscow's concern and frustration over a situation in which Soviet leaders see the USSR's policy interests in South Asia jeopardized. The USSR had been seeking to make some adjustment in its policy by recent tentative efforts to better its relations with Pakistan without, however, sacrificing its more far-reaching interests in India.

The statement blamed both India and Pakistan for aggravating a situation that "cannot benefit either side," but also delivered an implicit rebuke to Peking for its position. It criticized "outside forces" for trying to prevent good relations between India and Pakistan and for setting them at loggerheads. In contrast to Peking's denunciation of UN involvement in the crisis, the statement noted Soviet support for the 4 and 6 September UN Security Council resolutions and urged both countries to stop military operations immediately and to withdraw their troops behind the 1949 UN cease-fire line. Moscow's limited room for maneuver was reflected by a cautious offer of "good offices."

The Chinese Communists probably welcome the fighting as a new and serious problem

for the West and regard it as an opportunity to strengthen their ties with Rawalpindi and to inflict further damage on India. It seems likely, however, that Peking wishes to avoid major involvement in a situation it cannot completely control, and has thus far moved cautiously.

Peking's initial support for Pakistan has taken the form of propaganda blasts designed to shake Indian resolve and to bring deterrent pressure on New Delhi by threats of possible military intervention. A menacing Chinese statement broadcast on 7 September charged the Indians with aggression against their neighbors which threatened the peace "in this part of Asia." The next day an open diplomatic note harshly restated the Chinese points in more explicit terms.

The note protested "successive serious violations" of Chinese territory by Indian troops and linked these alleged actions with developments in Kashmir. It cited four incidents in July along the Sikkim frontier and five more which allegedly took place on the Ladakh border during August. The note made no specific threats of retaliation but warned that India must bear responsibility for "all the consequences." It concluded with the ominous statement that China was carefully watching Indian "expansionist actions" and was strengthening defenses and increasing the alert along the Indian border.

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This effort to "prove" Indian provocation against China may be intended to justify a renewal of aggressive patrolling and small-scale clashes along the frontier similar to those which preceded the border war in 1962. This would deal a heavy blow to morale in India, where Chinese actions would prob-

ably be regarded as precursors of heavier attacks. The Chinese may believe that they could in this way assist Pakistan by creating a cheap diversion which would tie down substantial numbers of Indian troops without the risks to Peking of a formal involvement in hostilities.

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SOMALIA-ETHIOPIAN DISPUTE WARMS

A virulent propaganda battle is the latest phase in the dispute between Ethiopia and Somalia over the Somali-inhabited region in eastern Ethiopia. Its continuation could push Somalia and Ethiopia away from their recently moderate postures and bring on an outbreak of fighting.

Radio Addis Ababa and other Ethiopian news media have been trying to depict the Somali Republic as an aggressive, expansionist nation. Other Ethiopian themes appear designed to foment Somali tribal differences and to undo the government's efforts to unify northern (ex-British) and southern (ex-Italian) areas of Somalia.

Somali fear that Ethiopian propaganda attacks might be a prelude or pretense to invasion has led to some military deployment, probably in border areas. Although Somalia is capable of small-unit actions it could not at present mount or sustain large operations. Likewise,

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Ethiopian fears of Somali pre-emptive action have caused some troop movements in border regions, but the Ethiopians are also incapable of a large military operation now.

The situation is confused by clashes in recent weeks between Somali tribes on both sides of the border. No engagement has occurred between Ethiopian and Somali troops, but such a clash is possible as long as fears and nervousness continue to mount.

Some efforts are being made to calm tensions. OAU Secretary General Diallo Telli visited Mogadiscio on 3 September and

obtained renewal of Prime Minister Abdirazak's pledge to halt "agitation, undignified and hostile personal and national attacks" if Ethiopia would also stop its campaign.

The Ethiopian verbal offensive has succeeded at least in keeping Somali leaders on the defensive and off balance enough to delay their internal political clean-up as well as economic development and famine relief programs. Opposition attempts to bring down the Somali Government a few weeks ago were unsuccessful, but the Ethiopian propaganda is beginning to affect adversely the public opinion on which the Somali Government mandate rests.

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NASIR'S VISIT TO MOSCOW

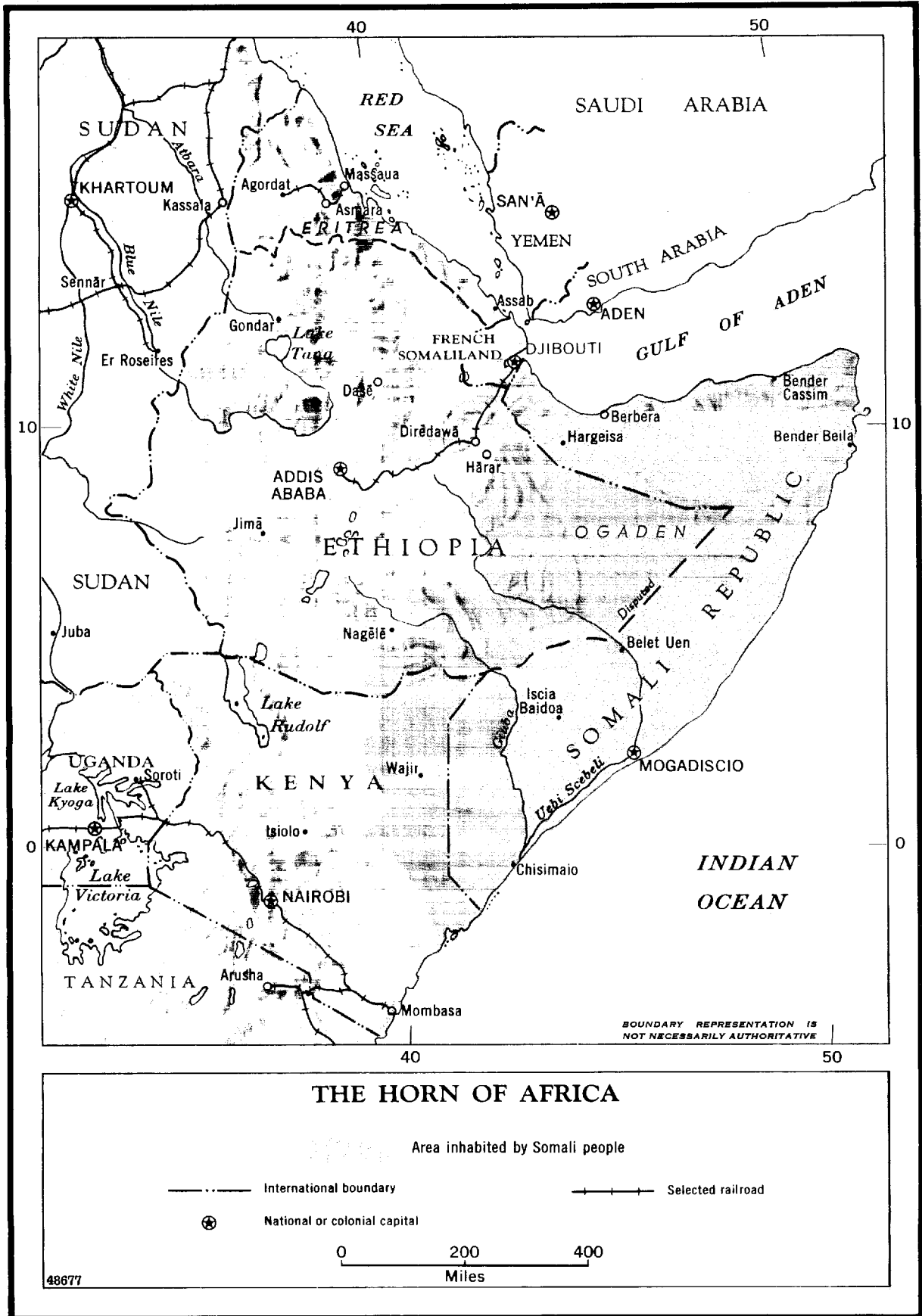
Both Moscow and Cairo appear pleased with the results of President Nasir's talks with Soviet leaders during his late August visit to the Soviet Union. Each side will find useful the political support voiced by the other, and Moscow presumably hopes that the trip will boost its efforts to enhance Soviet prestige and influence among the underdeveloped countries of Africa and Asia.

The cordial tone of the visit was in keeping with the warm Soviet-Egyptian relationship which has persisted since Khrushchev was in power, and which will in all probability continue. The final communiqué announced that negotiations will be held this October on a new five-year trade agreement. Nasir expressed his appreciation for

the substantial Soviet military aid given the UAR, but the communiqué contained no indication of any additional agreement to supplement the huge Soviet military assistance program now being implemented.

Moscow used the occasion to reassert its right to participate in the Second Afro-Asian Conference scheduled for this November in Algiers. In a 31 August speech, Soviet President Mikoyan, rebutting a standard Chinese argument, stressed that the USSR belongs "not only to Europe, but also to Asia," and declared that the Soviet Union, "in the event of its participation, will spare no efforts" toward ensuring the success of the conference. Nasir's public support for Soviet participation as

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expressed in the communiqué is a tactical victory for Moscow.

As anticipated, Nasir joined the Soviets in condemning US policy in Vietnam, and in calling for an immediate cessation of air attacks on the North. Contrary to widespread press speculation, however, Nasir apparently brought no specific Vietnam peace proposal to Moscow.

At a 31 August reception, the Egyptian ambassador in Moscow com-

mented that the UAR delegation realized it "would be very hard to get peace talks started."

Nasir may feel that the communiqué will provide him with ammunition to use against critics of his close relations with the USSR. The US Embassy in Cairo believes that the communiqué provides "disturbing evidence" of the ease with which Egypt, like other Afro-Asian states, finds an identity of views with the Soviets on Afro-Asian problems.

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CONGO POLITICAL STRUGGLE IN NEW PHASE

The political struggle in the Congo between President Kasavubu and Premier Tshombé is entering a new stage with Kasavubu's decision this week to convene Parliament on 20 September.

Kasavubu has contended that the constitution requires that he demand Tshombé's resignation before Parliament meets, but that he would then name him interim premier. Tshombé now has apparently decided to refuse to resign. He maintains that his transitional government must remain in power until presidential elections, due six months after parliament convenes. He fears that his resignation and subsequent loss of parliamentary immunity might lead to his arrest.

In theory, the constitution gives Kasavubu the authority to

dismiss the premier, but for the moment he appears to have no viable alternative to Tshombé. He has delayed the opening of Parliament for nearly three months in an effort to cut down Tshombé's political and popular strength. Despite suffering some tactical losses, the premier still appears to retain greater mass following than any other figure in the Congo.

The rest of the Congo is relatively quiet.

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Europe

GREEK POLITICAL CRISIS REMAINS ON DEAD CENTER

A solution to the eight-week-old political crisis continues to elude Greek leaders.

Late last week a Crown Council failed to reconcile the long-standing differences between King Constantine and ex-Premier Papandreou. This was followed by a breakdown in negotiations between Papandreou and Panayiotis Kanellopoulos--leader of the right-of-center National Radical Union (ERE), the principal opposition party during Papandreou's premiership. Kanellopoulos had proposed the establishment of an ERE government to supervise elections within the constitutional limit of the 45 days.

Papandreou initially accepted this offer in principle but rejected conditions which Kanellopoulos later attached. These included securing a vote of confidence for an ERE government which would be followed by the enactment of certain legislation. Kanellopoulos allegedly

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wanted additional time to prepare the country for elections, but probably really sought to provoke Papandreou's rejection because of the broad ERE opposition to the proposal and strong objections from the Palace.

Papandreou's ready acceptance of Kanellopoulos' initial offer also brought protests from the Communist-front United Democratic Left (EDA) party, the first EDA deviation from Papandreou's line since the beginning of the crisis on 15 July.

The drive to get approval for a government headed by former deputy premier Stephanopoulos is expected to regain momentum.

The next move now is clearly up to the King. He has so far been able to adhere to his cardinal principle of avoiding Papan-25X1 dreou's return to power, in spite of the continuing antimonarchical tone of demonstrations. [REDACTED]

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KENNEDY ROUND NEGOTIATIONS TO RESUME

Negotiations in the Kennedy Round are due to resume on 16 September, when the major participants are scheduled to present lists of agricultural products on which they are willing to lower trade barriers. Because the EEC is almost certainly unable to submit offers at this time, the US will exclude from its list those products primarily of interest to the EEC.

The UK's decision to table offers announced this week will probably stimulate most other EFTA and Commonwealth countries, as well as Japan, to present lists also, but in the absence of Common Market offers it is questionable how substantial these will be. UK delegates in Geneva emphasized to the US the difficulty of making specific and concrete offers without parallel moves by the community.

The inability of the EEC to submit offers stems from its current crisis, which left the community's own common agricultural policy (CAP) incomplete and French participation in community decisions suspended. Even in the unlikely event that the community could present a list at this time it would have to be only "partial," consisting of the offer on grains already made earlier this year and concessions on products included in the CAP for which community decisions have already been made.

The EEC Commission and the five EEC members other than France have generally welcomed the US decision to table a list, believing that, with Kennedy Round momentum preserved, pressures on the community to participate will emphasize France's isolation. Bonn continues to stress its ability and willingness to resist French designs to water down the powers of the Commission. The Germans apparently feel that De Gaulle will eventually permit the EEC to function normally and that the effects of the EEC crisis on the Kennedy Round will not prove fatal. The Commission itself is apparently contemplating a confrontation with the French if the German elections provide a government "strong and effective enough" to back it in carrying out such a program.

Meanwhile, there have been no signs of any relaxation of France's boycott of the EEC. The French probably hope that the desires of the other five, particularly Germany, to get on with the Kennedy Round will press them to meet Paris' terms on the future evolution of the EEC. France itself has never manifested enthusiasm for the Kennedy Round, but will nevertheless have to reckon the costs to France should a Kennedy Round failure doom hopes for a world-wide grains agreement.

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ITALIAN PRESIDENT TO VISIT LATIN AMERICA

The 10-23 September visit of Italian President Saragat and Foreign Minister Fanfani to Brazil, Uruguay, Argentina, Chile, Peru, and Venezuela is unlikely to produce any major agreements, but increased economic, cultural, and perhaps political contacts will be discussed.

Italy's interest in Latin America has grown since Premier Moro accepted President Johnson's personal invitation last April to join in a Latin American development program. Fanfani journeyed to Mexico in May, and Italian naval units stopped at various Latin American ports in August. Chilean President Frei talked with Italian leaders during his European trip in July.

Rome's ability to offer financial and economic aid to the area is limited, but it has decided to extend \$15 million in new credits during 1965 and to refinance debts of \$26.3 million. The Italians have an eye on their continuing trade deficit with Latin America and are likely to concentrate their offers of assistance in the cultural, educational, and technical fields.

Saragat and Fanfani may also offer to continue facilitating relations between Latin America and the European Economic Community. In a speech to the foreign ministers of the Western European Union in June, Fanfani pointed out that European markets mean more to Latin

America than subsidies, and he urged Europeans to be more responsive to Latin American desires regarding the stabilization of commodity prices and the marketing of raw materials in Europe.

On the political level, Saragat and Fanfani are likely to advocate democratic solutions for problems arising from industrialization, underdevelopment, and internal Communist threats, citing parallels between Italy and many Latin American countries. They will probably stress the value of social and economic reforms while avoiding specific suggestions on combating Communism. Saragat may have difficulty in Venezuela in avoiding discussion of the increasing attention the Italian Communist Party is giving to some of its Latin American counterparts. In Chile, where the Christian Democrats are in power, emphasis is likely to be placed on tightening ties between Italian and Latin American Christian Democratic parties.

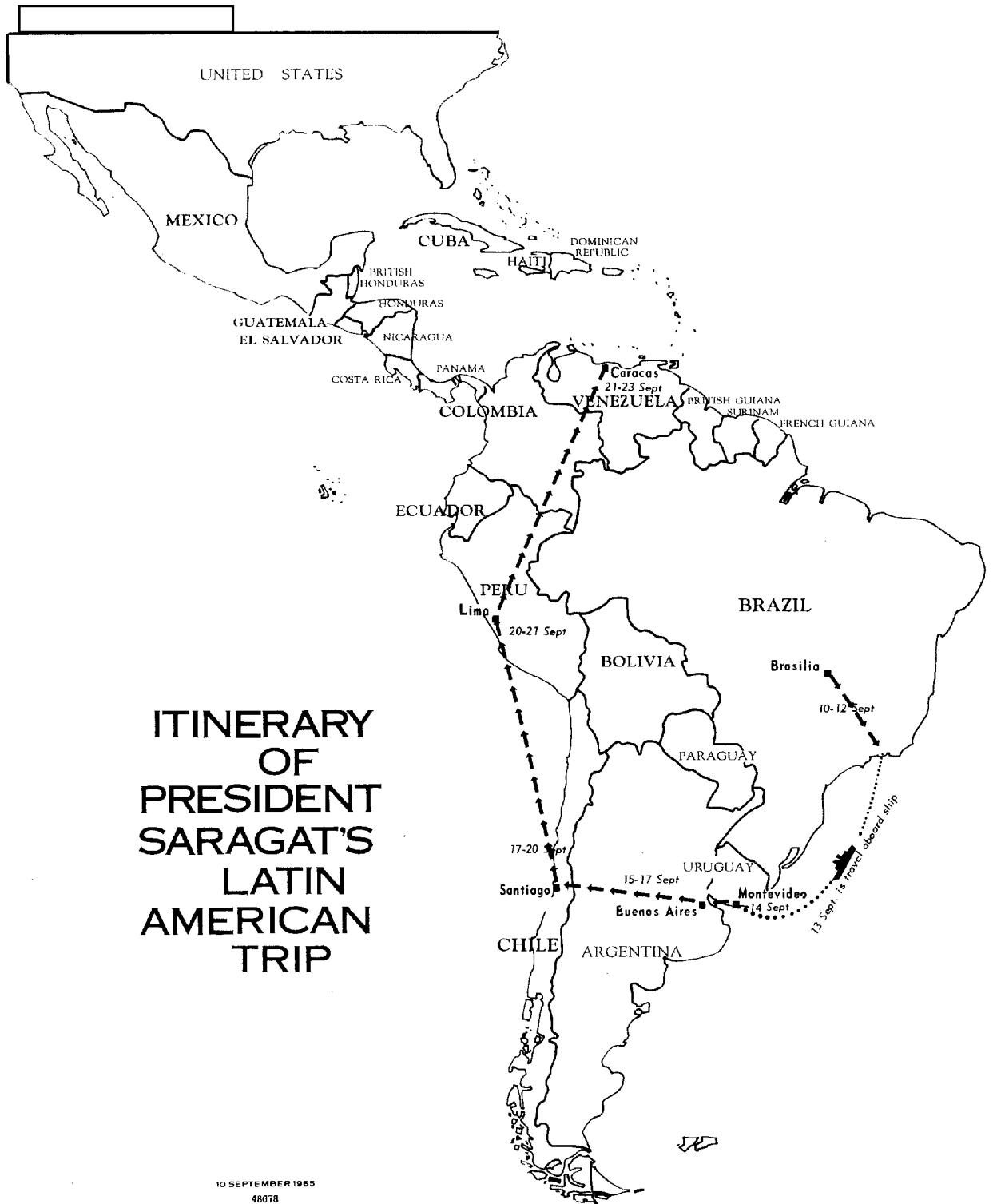
Saragat and Fanfani will be anxious to demonstrate that they are acting on their own and not merely as spokesmen of American policy. They are likely to express general agreement with US goals in Vietnam and the Dominican Republic, but Italian domestic political considerations and an awareness of Latin American sensibilities regarding "intervention" will make them circumspect in their endorsement.



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DOMINICAN REPUBLIC INSTALLS PROVISIONAL GOVERNMENT

The Dominican Republic's provisional government, under Hector Garcia Godoy, was inaugurated on 3 September. In his speech accepting the presidency, Garcia Godoy said the goals of his regime are to develop confidence in free elections and initiate a program of moderate reform. He promised total impartiality in government and completely apolitical armed forces.

The new regime is already beset by a number of major problems stemming largely from nervousness of the military over their position and continued efforts of the "Constitutionalists" to maneuver for a final victory.

Friction between the military establishment and the new government quickly developed when it appeared that Garcia Godoy was initiating military reforms without consulting the military. On 4 September the official government radio announced a decree abolishing General Wessin's Armed Forces Training Center (CEFA) as a separate branch of the armed forces and further incensed the military by making derogatory remarks about their leadership. Unrest in the military was also exacerbated by the President's failure to name a secretary of the armed forces and service chiefs.

Garcia Godoy later explained that CEFA was to remain intact and had merely undergone a name change; it will hereafter be known as the 4th Brigade of the army. The President also canceled his

appointment of Franklin Dominguez, a former rebel propagandist, as director of the government radio. In an effort to reduce tension created by partisan broadcasting, all radio and TV stations except the official government station and the Voice of the OAS were suspended by decree on 6 September.

Garcia Godoy told a large gathering of officers on 6 September that he intends to reappoint Rivera Caminero as armed forces chief and also to retain the present service chiefs. This seems to have improved his standing with the military for the time being. The provisional President is, however, determined either to retire General Wessin or to assign him to an overseas position. Wessin would not step down voluntarily and his intentions in the present situation are not yet clear.

The new regime has made little progress in getting the rebels to fulfill the commitments they agreed to in the Act of Reconciliation. Although they have dismantled a few of their defenses, they have refused to disarm their militia pending the withdrawal of Wessin's troops from the northern part of the city. They will probably also require the departure of Wessin himself. In any case, Communist elements within the rebel camp are determined to retain their weapons.

Although the initial appointments of the Garcia Godoy regime have on the whole reflected the President's overriding preoccupation

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with technical competence and political consensus, some have caused concern. For example, Franklin Dominguez, although relieved of his duties as director of the official radio, retains his job as press secretary to the president. Manuel Morel Cerda, a leftist and until recently head of the Communist-dominated Lawyers' Association, was appointed attorney general. Two of the appointees to the Industrial Development Corporation (CFI) are men of questionable loyalty. [REDACTED]

The return of many exiles is another factor that will unsettle the political scene. The extreme leftist secretary general of the Revolutionary Social Christian Party (PRSC) Caonabo Javier, who returned on 4 September, has already dubbed the provisional government "a product of deals among negative and anti-Dominican sectors" and said PRSC members would not take government jobs. There are reports that Maximo Lopez Molina, the head of the Communist Dominican Popular Movement, is attempting to return to the Dominican Republic. [REDACTED]

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JAMAICAN RIOTS REFLECT UNREST IN CARIBBEAN

The riots which erupted in Kingston, capital of Jamaica, at the end of August were essentially an anti-Chinese outburst by Negro mobs, motivated primarily by envy of the city's prosperous Chinese community. The incident which sparked the rioting was apparently a minor personal dispute between a Chinese and a Jamaican, but trouble quickly spread through the slums of West Kingston. A number of persons were injured by stones and gunshots before police dispersed the rioters and looters with tear gas.

The rioting does not appear to have been politically directed, although at least one of the island's several small Communist-front groups participated in the

29 August disorders. Other front groups evidently did not see an opportunity to exploit the disorders.

Such disturbances are an outgrowth of the widespread unemployment--currently estimated at 18 to 25 percent--grinding poverty, burgeoning population, and racial tension which foster an atmosphere of unrest not only in Jamaica but in many Caribbean islands. Although the islands are generally calm on the surface, a strong current of racism is present in most cases and, when added to the many depressing economic factors, could combine to produce mob violence almost without warning. [REDACTED]

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LACK OF EVIDENT PROGRESS ON CANAL THREATENS PANAMA REGIME

Dissatisfaction over lack of evident progress in the canal negotiations is increasing in Panama and could cause serious problems for the Robles government.

President Robles' critics are charging that the current US-Panamanian discussions have been unproductive and lack popular support. Last week pro-Communist National Assemblyman Carlos Ivan Zuniga assailed the secrecy shrouding the talks and warned that the Panamanian public cannot be expected to accept a settlement it knows nothing about.

The radio station identified with former president Arnulfo Arias' Panamenista Party has charged the government several times with deceiving the public about the canal treaty talks. On 1 September it predicted that "many things will come to light"

when the National Assembly meets and warned that Robles will be called to account for his efforts to "conceal the truth."

The October meeting of the assembly will provide Robles' opponents with a forum to demand an explanation of the government's position in the nine-month-old negotiations. A political crisis and violent anti-US reaction are almost certain if Robles is unable to make a statement which Panamanians can view as favorable.

Panamanian Communists and other extremists are eager to use the canal issue as a catalyst for stirring up the poor and unemployed in the cities adjacent to the Canal Zone, and overthrowing Robles. It was the incitement of these people which turned the January 1964 student disturbances into the worst anti-US riots in Panamanian history.

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GUATEMALAN CONSTITUENT ASSEMBLY SETS MARCH ELECTION DATE

The Guatemalan Constituent Assembly has set March 1966 as the date for electing a new congress to take office next May. A new president, also to be elected in March, will be inaugurated on 1 July.

Choice of a firm date for the elections was of prime concern to the opposition National Liberation Movement (MLN), which sought to thwart any attempt by the Peralta regime to advance the date of the voting so as to prevent it from entering a presidential candidate. This schedule allows Col. Miguel Ponciano to fulfill the require-

ment that he resign from the armed forces six months prior to the elections in order to campaign.

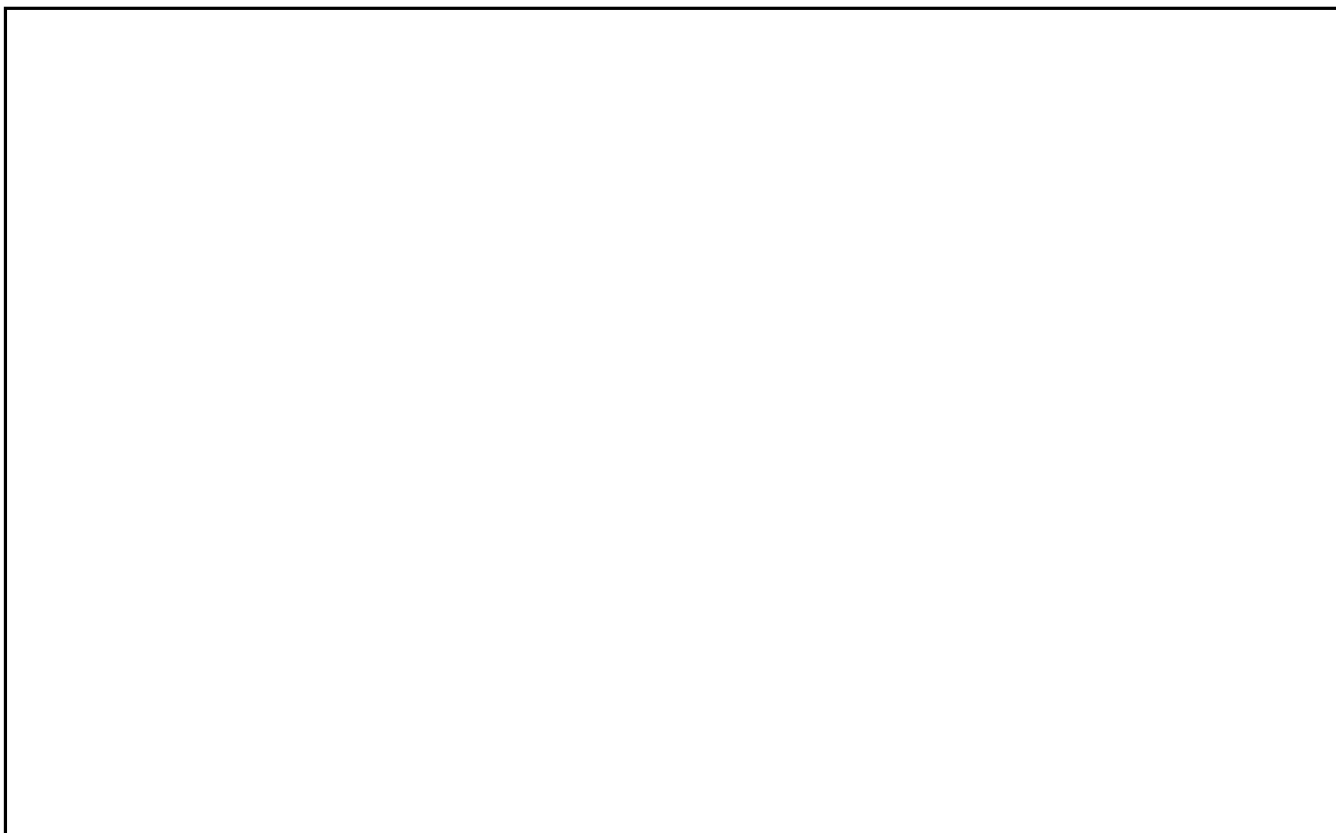
Although it is committed to promulgating the new constitution on 15 September, the Peralta government seeks to retain the power to rule by executive decrees which enable it to move against subversives irrespective of normal constitutional guarantees. The government's continuing concern over internal security may lead it to delay the elections beyond the date set by the Constituent Assembly.

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COMMUNIST BLOC ECONOMIC RELATIONS WITH LATIN AMERICA

Negotiations on trade and economic aid now in progress between Communist bloc and Latin American countries may result in some new economic relationships, but their impact on the over-all level of economic exchanges will be delayed.

The bloc is responding to Latin American initiatives. Bra-

zil, Argentina, Chile, and some smaller countries seeking to "normalize" relations with Communist countries are investigating the bloc's ability to contribute to their needs.

The Brazilian initiative-- now being asserted by Planning Minister Campos in Moscow--is

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expected to be favorably received by the USSR and may elicit the offer of modest credits. Soviet officials have already studied Brazilian electric power plans and surveyed shale oil resources, two areas which Campos stated he would investigate.

An Argentine oil-development mission plans to buy a small amount of Soviet equipment during its current trip in Europe. This prospective purchase, reportedly to total only \$3 million, will be made on credit. Earlier this year Moscow had renewed offers to extend credits up to \$100 million to Argentina, and had submitted bids to participate in proposed large-scale Argentine power development.

Bloc trade this year is unlikely to amount to much more than \$400 million, or about the same as last year. Argentina (with a \$175-million bloc trade in 1964) and Brazil (with \$160 million) remain the Communists' chief Latin American trading partners, accounting for 80 percent of their trade with the area. Argentina, which attained the lead in 1964 through its large grain sales to China and the USSR, seems destined to lead again this year and next in view

of grain contracts signed with Moscow last month and reports that Peking will again purchase sizable quantities of wheat. Soviet oil deliveries to Brazil are by agreement at a higher level this year than previously, and Brazil has just ordered \$20 million worth of East German locomotives.

For the future, a gradual growth in Latin America's trade is expected. East European trade remains the best established there, but some regularity has also developed in Soviet trade--essentially an exchange of oil for foodstuffs. Chinese trade is marked by wide fluctuations, caused by Chinese purchases of grains to meet domestic food shortages and by politically inspired purchases of primary commodities.

Trade with the bloc still does not assume significant proportions for any Latin American country, although both Argentina and Uruguay send 10 percent of their exports to the bloc and about 6 percent of Brazil's total trade is with the bloc. Chile, Colombia, Venezuela, Mexico, and Peru carry on only negligible amounts of trade. Peru, which initiated lucrative fishmeal exports to the world market a few years ago, finds the bloc a promising customer.

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