

OCI NO.0409/62

CURRENT INTELLIGENCE WEEKLY SUMMARY



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THE WEEK IN BRIEF
(Information as of 1200 EST 22 Mar)

SOVIET FOREIGN POLICY DEVELOPMENTS Page 1

Moscow appears to view the Gromyko-Rusk talks in Geneva as a point of departure for more comprehensive negotiations on Berlin which could culminate in a heads-of-government meeting. The moderate tone of Khrushchev's remarks on Berlin and Germany in his 16 March speech was intended to reassure the West that Moscow is still interested in a negotiated settlement. The Soviets have indicated that their future actions in the Berlin air corridors will be influenced by developments in the US-Soviet talks and have relaxed pressures in the corridors somewhat since 17 March by conducting transport flights below the altitudes normally used by Western commercial aircraft. Gromyko's relatively mild presentation of the USSR's disarmament proposals in the 17-nation Geneva conference and Soviet acceptance of the proposal by the US and Britain for three-power talks on a nuclear test ban were also calculated to improve the atmosphere for bilateral discussions with the US. [redacted]

(b)(3)

FRANCE-ALGERIA Page 6

French officials still expect serious trouble in Algeria, despite the absence of major OAS-inspired violence immediately following the announcement of a cease-fire. These officials hope, however, that Moslem restraint will continue and that the gradual resignation of the Europeans to the new situation will reduce OAS capabilities. The OAS may be delaying action until the provisional executive is installed or until some other step is taken in connection with implementation of the accords. De Gaulle is seeking massive public approval for the agreements in the national referendum scheduled for 8 April, and his public statements further emphasize his desire to undercut claims by the OAS that it is resisting his "dictatorship." [redacted]

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ARGENTINA Page 8

The victories of the pro-Peronista slates in Argentina's 18 March provincial and congressional elections prompted precipitate military pressure on President Frondizi. Coup-minded military elements have been temporarily restrained by various anti-Peronista measures, such as federal intervention in five provinces where Peronistas won, and by Frondizi's agreement to form a new cabinet partly selected by the military. [redacted]

(b)(3)

CONGO Page 9

The meetings between Adoula and Tshombé finally got under way on 18 March; their positions and attitudes still appear to be far apart. Tshombé meanwhile is trying to woo pro-Leopoldville Baluba leaders in northern Katanga and to weaken Adoula's parliamentary support. Adoula, under

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increasing pressure from radical members of his cabinet to work out a solution of the Katanga problem, has threatened to expel the UN by late April if no progress is made and to seek aid outside the UN framework. [redacted]

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LAOS Page 11

Phoumi's resistance to a coalition government on Souvanna Phouma's terms has reached the point where he has refused even to consult with Secretary Harriman in Bangkok. Prospects for progress toward a settlement have also been dimmed by the insistence of Souvanna and Souphannouvong on another meeting of the three princes. With the exception of brief heavy shelling of Nam Tha by enemy forces, military action remains light. [redacted]

(b)(3)

SOUTH VIETNAM Page 12

Government forces conducted the first major helicopter troop movements in the northern part of the country last week, but failed to trap sizable Viet Cong forces. Viet Cong military action continued at a high level, and there are tentative indications that bloc airdrop support may have begun. North Vietnam continues to call for an international conference on Vietnam. The USSR, however, in its statement of 17 March and its covering note to the UK as 1954 Geneva cochairman, stopped short of calling for a conference, requesting a joint appeal for an end to US "interference" in South Vietnam. [redacted]

(b)(3)

GUATEMALA Page 13

President Ydigoras, just entering the fifth year of his six-year term, faced the most serious crisis of his administration during the week beginning 13 March. Communist-led students clashed repeatedly with the police, and there were more than 20 deaths and several hundred wounded before the army was called in to restore order on 16 March. Public demands that Ydigoras resign led key army leaders to give serious consideration to forcing him to do so. By 20 March, order had been restored in the capital and the immediate crisis appeared to be passing. Ydigoras, however, still faces a difficult situation, including continuing guerrilla activity in the mountains north of the capital. [redacted]

(b)(3)

FOOD PROBLEMS IN CUBA Page 15

Stringent rationing became effective in most parts of Cuba on 19 March. Cuba must import about 30 percent of its basic foods, and although the bloc now provides most of these imports, the amounts are smaller than formerly supplied by the US. Cuba's 1958 level of per capita food consumption was considerably higher than the Latin American average and there is still no immediate prospect of widespread hunger or malnutrition, but further disruptions of its normal consumption patterns are likely. The 1962 sugar harvest is expected to be no more than 4,500,000 tons, or about two thirds of the 6,800,000 tons harvested in 1961. [redacted]

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MIDDLE EAST HIGHLIGHTS Page 16

The Syrian-Israeli border clashes of the past two weeks probably mark the beginning of a period of sharply heightened Arab-Israeli tensions. Both Syria and Israel seem ready for further action, and Damascus appears to believe that "the battle of the Jordan waters" has already begun. The Dawalibi cabinet in Syria has made some political gains from what it describes as its "victory" over Israeli units, but it is under increasing domestic criticism on other counts and may soon fall or be reshuffled. In Saudi Arabia, last week's drastic cabinet revision returned Crown Prince Faysal to a key position of power in the government. [REDACTED]

(b)(3)

STALINISTS REMOVED FROM BULGARIAN CABINET Page 19

The newly elected Bulgarian National Assembly at its first meeting approved changes in the Council of Ministers which were another victory for the pro-Khrushchev leadership of party First Secretary Zhivkov over the powerful Stalinist segment in the party and government. With his control of the party leadership now more solidly assured, Zhivkov stands a better chance to avert a Stalinist challenge at the next party congress, scheduled to begin in late August. [REDACTED]

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MONGOLIA: KHRUSHCHEV'S ADVOCATE IN ASIA Page 20

Mongolia has made it clear that it is solidly behind the Soviet Union in its controversy with the Chinese Communists. After denouncing the Albanians and openly criticizing Peiping's support for Tirana, the Mongolians embarked on their own version of de-Stalinization by attacking Marshal Choybalsan, who ruled the Mongolian party and state from the 1930s until his death in 1952. A similar effort to follow Moscow's lead in the de-Stalinization campaign of 1956 had severe repercussions within the Mongolian party before the pro-Moscow faction asserted its control. [REDACTED]

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THE MACMILLAN GOVERNMENT'S POLITICAL PROBLEMS. Page 21

A protest vote against the Macmillan government has been registered in four recent by-elections, in one of which the Liberal party captured a "safe" Conservative seat by nearly 8,000 votes. The Conservatives, in office since 1951, have appeared unsure in dealing with a wide range of foreign and domestic issues. Although the Labor party has failed to capitalize on the government's shortcomings and general elections need not be called for another two and a half years, five more by-elections are due this spring, and the government may be unusually sensitive to popular pressures during this time on such issues as disarmament. [REDACTED]

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COMMON MARKET RELATIONS WITH AFRICA Page 21

The six European Common Market (EEC) countries are agreed that the 1957 convention associating 16 African states with the EEC should be renewed when it expires at

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the end of this year, but they differ on the exact terms to be offered the Africans. This issue is expected to come to a head in the next few weeks. Present prospects are that the EEC will offer closer institutional ties, an expanded aid program, and some arrangement on a free trade area. Continued preferential access for African exports to the European market will hurt competing underdeveloped areas. [redacted]

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SPECIAL ARTICLES

BRAZIL'S SIX MONTHS UNDER GOULART Page 1

President Joao Goulart, who is scheduled to visit Washington on 3 April, has retained most of the authority theoretically transferred to the prime minister by the constitutional amendment passed last September, when he succeeded to the presidency after Quadros' resignation. Goulart's position now is challenged, however, by the return of Quadros, who is expected to seek the prime ministry unless Goulart succeeds in his current move to restore chief executive authority to the president through a national referendum. Goulart, like Quadros, has tried to appeal to Brazilian nationalism by pursuing a foreign policy clearly independent of that of the United States. He has thus far taken little action on Brazil's economic and social problems--such as the politically explosive land reform issue, the rising cost of living, and the serious foreign exchange shortage. [redacted]

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TURKEY'S ECONOMIC PROSPECTS Page 6

The Turkish Government has adopted a record budget for the 1962 fiscal year in order to establish a base for continued economic growth during a Five-Year Plan (1963-68). To accomplish their objectives in the preparatory phase and during the plan period, Turkish planners must count heavily on continued foreign aid. Efforts to make the country self-sufficient will depend largely on Turkey's success in increasing exports of minerals and agricultural products. Long-term prospects for doing this appear generally good, but serious economic and social problems must first be solved. [redacted]

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WEEKLY REVIEW

SOVIET FOREIGN POLICY DEVELOPMENTS

Moscow appears to view the Gromyko-Rusk talks in Geneva as a point of departure for more comprehensive negotiations on Berlin which could culminate in a heads-of-government meeting. The moderate tone of Khrushchev's remarks on Berlin and Germany in his 16 March speech was intended to reassure the West that Moscow is still interested in a negotiated settlement. The Soviets have indicated that their future actions in the Berlin air corridors will be influenced by developments in the US-Soviet talks and have relaxed pressures in the corridors somewhat since 17 March. Gromyko's relatively mild presentation of the USSR's disarmament proposals in the 17-nation Geneva conference and Soviet acceptance of the proposal by the US and Britain for three-power talks on a nuclear test ban were also calculated to improve the atmosphere for bilateral discussions with the US.

Berlin and Germany

In Khrushchev's 16 March speech--a pre-election address delivered at the Kremlin to his Kalinin constituents and his first major speech on foreign policy since the party congress last fall--he again indicated a willingness to work out an agreement with the West on the status of West Berlin and Allied access which would be incorporated in a separate peace treaty with East Germany. He also reiterated that there is no "fatal deadline" for the conclusion of such a treaty and sought to convey an impression of restraint by declining to comment on the current US-Soviet talks. He em-

phasized, however, that a Berlin settlement must include not only guarantees for Allied access but also "recognition and respect for the sovereign rights of the German Democratic Republic." The Soviet press continues to give increased prominence to Soviet determination to conclude a peace treaty with East Germany while accusing the West of stalling on serious negotiations.

In letters to President De Gaulle and Prime Minister Macmillan, delivered on 14 March, Khrushchev also reaffirmed his proposal for a prior four-power agreement for inclusion in a subsequent Soviet peace treaty with East Germany. It would cover the status of West Berlin, free access, and other "important postwar problems"--such as formalizing existing German frontiers and prohibiting nuclear weapons in both German states. Here again, he emphasized that access arrangements must respect East German "sovereignty." He warned that if the West rejects an agreement, the USSR will proceed with a separate treaty.

Air Corridors

As part of their effort to maintain the sense of urgency for negotiating a Berlin settlement, the Soviets have continued their harassing tactics in the Berlin air corridors. On 15 March, shortly after six Soviet transport flights in the southern corridor had been completed as scheduled, the USSR protested that Western aircraft had "deliberately violated established flight procedures" and "endangered air safety in the corridors." The protest reflected Moscow's immediate intention

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to demonstrate further that present procedures in the Berlin Air Safety Center (BASC) are inadequate for air safety. The Soviets apparently hope thereby to gradually build a case for demanding changes in the BASC operations which would increase Communist control over Western flights.

The Soviets have again tried to persuade the US chief controller in the BASC of the necessity to provide the Soviet representative with the estimated time of Western flights over the Mansbach radio beacon, a navigational aid in the southern corridor located just outside the East German border. They could interpret Western compliance with this request as conforming with their demand of 15 February that estimated time of crossing the East German "national" border be provided with Allied flight plans and as implicit recognition of the East German law of 1 August 1961, which required aircraft entering East German territory to give notification by radio.

Stromov, the chief Soviet controller in the BASC, has frankly acknowledged that Soviet moves in the corridors are linked to the US-Soviet talks at Geneva. He remarked to his US counterpart on 16 March that if the Geneva conversations were successful, the situation in the corridors would change for the better. On the following day, the Soviets discontinued transport flights at altitudes from 7,500 to 10,000 feet--normally used by Western commercial aircraft. Soviet flights since 17 March have been conducted below 7,500 feet.

Moscow may also be employing a new device in order to achieve Western recognition of the USSR's right to use the corridors for local flights. On 19 March, Stromov formally requested of the chief US controller in BASC the installation of a low-power radio link between the BASC and Karlshorst, which would be added to existing communications facilities. He alleged that the present telephone circuit had been faulty on occasions and that the new link was necessary to ensure contact with Soviet headquarters, particularly at times when Soviet aircraft were operating in the corridors.

Karlshorst does call the BASC constantly to check the time and location of Soviet and Western flights, to dictate protests to the West, and to obtain detailed reactions of Western BASC representatives to Soviet flights. The sharp increase in telephonic communications between Soviet representatives in BASC and their headquarters in Karlshorst during periods of Soviet corridor flights is a further reflection of Moscow's intention to maintain tight control over these operations.

Moscow is apparently increasing its harassment of Western ground access routes to Berlin in its continuing efforts to demonstrate that all forms of access to the city are contingent on Communist sufferance. On 20 March, Soviet controllers at Babelsberg refused for a time to clear an outbound US Army convoy of five vehicles on the grounds that they had not received advance notification

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of its movement across the Helmstedt-Berlin Autobahn and lacked personnel to complete the processing. The same day, the Soviet controllers at Marienborn, at the opposite end of the autobahn, cleared an inbound convoy of the same size after an hour's delay, with the warning that in the future they would insist on advance written notification.

The practice of notifying the Soviets of Western military movements was begun on an ad hoc basis last August to facilitate the transfer of a special US Army battle group from West Germany to West Berlin. Since that time, local US military authorities have continued to alert Soviet officials to the movement of convoys of eight or more vehicles. The Soviets apparently are seeking to extend this practice to all military movements on the autobahn.

Disarmament and Test Ban

In his 15 March speech at the Geneva disarmament conference Gromyko tabled a plan for general and complete disarmament in the form of a draft treaty. The plan is largely a rehash of the September 1960 Soviet proposals presented to the UN by Khrushchev. The only significant new element is the point that there should be no veto in the control organization. Soviet leaders probably calculate that their ostensible renunciation of the veto will have a favorable impact, particularly on the nonaligned powers.

Gromyko also formally expressed Soviet willingness to

discuss the USSR's 26 September "partial" disarmament measures, implementation of which allegedly would decrease international tensions, strengthen confidence between states, and promote final agreement on general and complete disarmament. He singled out the "partial" proposals calling for creation of a nuclear free zone in Central Europe and a nonaggression treaty between the NATO and Warsaw Pact powers--proposals more related to the German and European security issues than to disarmament.

In a 20 March private conversation with a US delegate, a prominent member of the Soviet delegation said that the "main areas of possible agreement" at the conference are on these issues: nontransfer of nuclear weapons, a NATO - Warsaw Pact nonaggression treaty, an African nuclear-free zone, a test ban, and outer space.

The Soviet press has given little publicity to Secretary Rusk's presentation of the US disarmament program. A 19 March Pravda article, however, distorted the US proposal for a 30-percent reduction in the number of vehicles capable of delivering nuclear weapons and of major conventional armaments in the first three years. Pravda claimed that it was accompanied by a demand for creation of a 100-percent far-flung system of international control. The Soviet press line has been that while the USSR presented concrete proposals to achieve general and complete disarmament, the US advanced "only" an unclear outline.

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In an obvious attempt to impress the nonbloc powers represented at the conference with Soviet flexibility and desire for agreement, the USSR has formally agreed to the US-British proposal of last January that a Big Three subcommittee be established to discuss the test ban issue. Soviet delegate Zorin announced the decision at a 19 March press conference in Geneva. He made clear, however, that the subcommittee discussion should be on the Soviet draft proposals of 28 November 1961.

In a 15 March private talk with US and British delegates, Soviet delegate Tsarapkin firmly rejected such modifications of the US test ban proposal as making the treaty cover all tests from the beginning, allocating an agreed limited number of inspections in zones where there is little seismic activity, providing safeguards against preparations for testing, and shortening the time before the beginning of inspections. Tsarapkin stated that "the idea of international control is completely unacceptable" to the USSR, under the situation existing now. He maintained that "the only basis for agreement possible is

national control." He reiterated his views publicly at a press conference on 16 March.

Moscow has so far not commented on neutralist calls for a moratorium on atmospheric testing while the conference is seeking the basis for agreement. Nor has there been any Soviet comment on India's proposal that the national inspection systems of the Soviet Union and the West be supplemented by a test-detection system to be set up in neutral countries.

Khrushchev denounced the US decision to resume atmospheric testing in his 16 March speech, terming it a "severe blow" to the 17-nation disarmament committee. He again warned that the USSR would respond to US nuclear testing in the atmosphere by "staging its own tests," and contended that Soviet tests would preclude any possibility that the US might achieve a "military advantage."

Khrushchev made it clear that the USSR will continue to reject Western proposals for international controls over a test ban agreement and will insist that national detection systems provide a "sound foundation" for an agreement. In the first public Soviet reference to the USSR's 2 February underground test, he said that this test, promptly announced by the US Atomic Energy Commission, was staged deliberately to disprove the West's contention that it is impossible to detect some underground tests.

Two days earlier in Geneva, Soviet delegate Usatchev had discussed the 2 February

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underground test with a US delegation officer. He cited the US announcement of the test as evidence that "national systems are improving all the time." Although they are not yet perfect, he remarked, each nation must assume some risks and not expect perfection.

Khrushchev did not mention in his formal speech the latest Soviet launching of an earth satellite, although he had earlier interrupted another speaker to report the launching. He did claim in his speech, however, that the USSR has developed a "global rocket" which cannot be detected and is invulnerable to "anti-missile weapons." He said the new global rocket "can fly around the world in any direction and deal a blow at any set target" and cited the flights of space vehicles Vostok I and II as "proof" of the accuracy of Soviet calculations. The timing of the launching of the latest Soviet earth satellite suggests that Khrushchev expected that it would be considered abroad as a prototype of the "new" weapon. The timing was also probably linked with the opening of the disarmament conference. Soviet propaganda promptly pointed out that the new "invulnerable" weapon would be destroyed if the Soviet disarmament proposals were accepted.

Khrushchev used his speech to reply to Communist critics of the Soviet disarmament position. Obviously pointing to his Peiping and Tirana adversaries, he noted that "there are people who either incorrectly explain or deliberately distort" the Soviet proposals on disarmament. In an awkward attempt to rebut their "allegations" that Soviet championing of disarmament is "harmful and even dangerous" to peoples struggling for liberation, Khrushchev asserted that the Soviet Union renders substantial economic assistance "including assistance in armaments" to states which ask for support "in the struggle against the imperialists and colonizers." Mikoyan's pre-election speech two days before Khrushchev's, while making the same points,

specifically took issue with "Albanian theoreticians who have a confused knowledge of Marxism."

Peiping has given considerable publicity to the Geneva disarmament conference; Gromyko's 15 March speech has been reported, and the full text of the Soviet draft treaty has been published in People's Daily.

Outer Space

Moscow on 21 March released Khrushchev's response to President Kennedy's letter of 7 March urging joint US-Soviet cooperation in outer space projects. Khrushchev welcomed the President's attitude toward his proposal to pool the efforts of the Soviet Union and the US in space exploration--a proposal contained in Khrushchev's 21 February letter to the President congratulating the US on the success of Glenn's space flight. The 21 March letter, however, revived a standard point--omitted on the earlier occasion--linking outer space cooperation with agreement on disarmament. Khrushchev said it was "obvious" that the "scope of our cooperation" in the peaceful exploration of space depends "in some degree" on solution of the disarmament problem. He concluded that "much greater prospects" for cooperation and the pooling of scientific and technical achievements "up to and including joint creation of space-ships for reaching other planets--the moon, Venus, Mars--will appear only when agreement on disarmament is achieved."

Following Ambassador Plimpton's presentation of the US outer space statement at the 19 March meeting of the UN outer space committee, bloc spokesmen praised his speech. Czech delegates went out of the way to state to an Australian delegate that they were pleased with the speech. A Moscow radio correspondent said privately that the Soviet attitude in the outer space committee will be "much more constructive than in Geneva." (b)(3)

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FRANCE-ALGERIA

French officials still expect serious trouble in Algeria, despite the absence immediately following the announcement of a cease-fire of any major violence inspired by the Secret Army Organization (OAS). These officials hope, however, that Moslem restraint will continue and that the gradual resignation of the Europeans of Algeria to the new situation will reduce OAS capabilities. The OAS may be delaying action until the provisional executive is installed or some other step is taken in connection with implementation of the accords.

The organization appears to have adopted a strategy of harassment of the French Government and provocation of the Moslem population rather than risk a coup attempt or a mass settler uprising which could expose it to destruction by the French Army and security forces. The army had not yet been faced with massive violence that would test its willingness to enforce the terms of the cease-fire agreement in the face of OAS opposition.

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[redacted]

told a US source on 18 March that OAS documents captured last week indicated that the OAS plans to create maximum disorders in the cities in order to tie down the army so that the OAS can organize effective

guerrilla bands in the interior. OAS posters which appeared in Algiers on 20 March, urging army personnel to desert and join OAS groups in the interior, lend credibility to this report.

[redacted] however, (b)(1)
considered these plans too (b)(3)
ambitious for OAS capabilities.

[redacted] (b)(1)
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[redacted] In Paris, the director of De Gaulle's personal cabinet told a US Embassy officer on 18 March that if serious trouble could be avoided for about a week, the French would be "out of the woods," but various other officials told the officer they felt that many trials still lie ahead.

Premier Ben Khedda of the rebels' provisional Algerian government (PAG) has publicly insisted that the French must control the OAS. Information minister Yazid reportedly said on 18 March that he believes the French will make a genuine effort to contain the OAS, and that the PAG hopes to assist materially by collecting intelligence on OAS activities.

Ben Khedda, who greeted vice-premier Ben Bella and other liberated ministers in Rabat on 21 March, will probably attempt to keep his visit as short as possible, as there are indications that both he and

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Ben Bella are irritated over Moroccan efforts to capitalize on the release of Ben Bella.

Meanwhile, De Gaulle is proceeding with steps to implement the accords. The new post of French high commissioner got off to a bad start last week when De Gaulle's first nominee, retired general Pierre Billotte--a long-time "leftist Socialist"--refused to accept the position. Christian Fouchet was appointed shortly after the cease-fire took effect on 13 March, and the French cabinet has approved--although not announced--the composition of the provisional executive. Fouchet will presumably give loyal support to De Gaulle's Algerian policy, even though he personally opposed the policy which resulted in relinquishment of French control over Tunisia and Morocco. The risk of assassination by the OAS will be great for all individuals accepting responsible positions during the transitional period.

In France, complete calm prevailed following announcement of the cease-fire. Public opinion from extreme left to center right welcomed the agreements. In parliament--which the government permitted to debate but not to vote on the accords--rightists stigmatized them as "abandonment" and "capitulation."

De Gaulle, both in his cease-fire address and in his subsequent brief message to parliament, stressed his desire for massive public approval of the agreements in a national referendum scheduled for 8 April. He made it clear it would be held not only to approve the accords but also to authorize him to take all necessary measures, while applying them, to preserve public order and the security of the state. He thus hopes to avoid again invoking Article 16 of the constitution--the much-criticized emergency powers he assumed during the April 1961 mutiny--and thus to counter charges by the OAS and other critics that he has usurped power and should be resisted as a dictator.

The prompt Soviet extension of de jure recognition to the PAG and the declared willingness of Khrushchev to establish diplomatic relations mark the end of Moscow's ambivalent attitude toward the Algerian rebellion. Whereas Communist China gave the PAG formal diplomatic recognition shortly after its formation in 1958, Moscow refused to extend even de facto recognition until after France opened talks with the rebels. However, even after this recognition in the autumn of 1960, and Khrushchev's remarks shortly thereafter characterizing the rebellion as a "just" war of national liberation, the PAG up to now had never received full Soviet support. (b)(3)

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ARGENTINA

The victories of the pro-Peronista slates in Argentina's 18 March provincial and congressional elections prompted precipitate military pressure on President Frondizi. Coup-minded military elements have been temporarily restrained by various anti-Peronista measures, such as federal intervention in provinces where Peronistas won and by Frondizi's agreement to form a new cabinet partly selected by the military.

The Peronista victories surprised the military and the Peronistas themselves as well as the government. Much of their strong showing is to be attributed to the unpopularity of the austerity measures in Frondizi's economic stabilization program--such as his program for drastic cuts in the payroll of Argentina's government-owned railroads. There were also probably a considerable number of political deals giving Peronista candidates the support of other parties: normally the Peronistas have been able to count on about a fifth of the total vote; in these elections they polled almost a third.

In the confusion resulting from the election upset, the military reacted by forcing Frondizi to impose federal control over five provinces in which Peronista gubernatorial candidates won, and some military elements wanted to oust Frondizi himself. Some Peronistas, on the other hand, sought to call a general strike to protest Frondizi's anti-Peronista measures.

Disagreements within the Peronista ranks and among military leaders have helped Frondizi maintain an uneasy balance, but he is still under strong pressure. A tentative agreement with the military reportedly calls for formation of a coalition cabinet including military representatives, continuing strong measures against the Peronistas and Communists, and the rapid ouster from government posts of supporters of Rogelio Frigerio, Frondizi's close adviser whom the military hold responsible for the situation.

It was announced on 21 March that the cabinet ministers who resigned to permit the organization of the joint eight-man military and civilian cabinet would continue in office until the new one is chosen. Frondizi condoned the military takeover of the provinces when the pro-Peronistas won, since this is permitted by the constitution under the state of siege. He is rejecting, however, military demands that the 43 Peronistas elected to the Chamber of Deputies be barred from taking their seats on 1 May as scheduled, on the grounds that this would be illegal.

Although the military currently accepts Frondizi's continuance in office, neither the navy nor a large part of the army is satisfied with the existing compromise. The threat of Peronista violence has not yet been removed, but instead of going on strike Peronista labor leaders agreed to issue a statement supporting constitutional government.

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CONGO

(b)(1) Adoula and Tshombé on 18
(b)(3) March held an initial meeting reportedly devoted to "identifying the problems" and then got together for a short private session. Tshombé, [] showed no resentment over Adoula's absence from Leopoldville on his arrival, is in a good mood, and has apparently settled himself and his 30-member entourage for a long bargaining period. [] say that Adoula's 15 March trip to Coquilhatville, in Equateur Province, was required for political reasons. Adoula, who is of course interested in trying to impress on Tshombé that he is only a provincial leader, claims he had no official word that Tshombé was coming.

The two sides have apparently worked out a schedule of daily meetings, but there is as yet no information on the substantive content of the talks held so far. Adoula, pessimistic and sensitive to charges that he let Tshombé "off the hook" at Kitona last December, is trying to play the meetings in as low a key as possible. The prime minister appears less flexible, probably reflecting the mounting pressure on him to demonstrate to his followers some progress on the Katanga problem and a growing awareness that he may be in serious political trouble unless he can do so. In a talk with Ambassador Gullion on 14 March, Adoula insisted that the Loi Fundamentale--the draft constitution which establishes the primacy of Leopoldville over the

provinces---could not be suspended by agreement between him and Tshombé and must remain in effect until revised. Adoula said bluntly that "it was time to find out whether Tshombé would or would not integrate." Other remarks by Adoula suggested that he continues to believe that only force will bring Tshombé around.

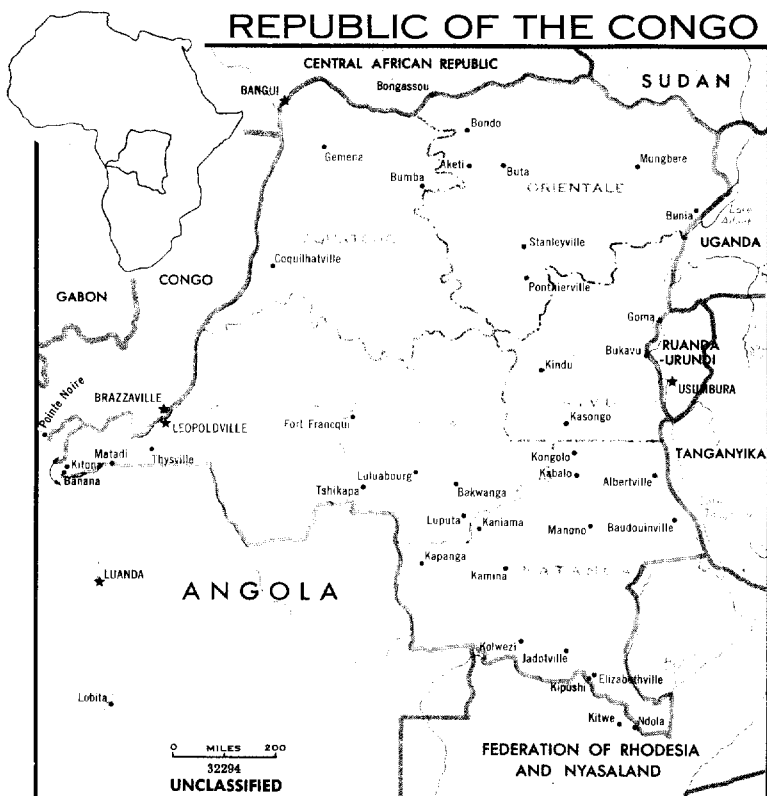
Adoula's frustrations are evident in a letter he sent on 15 March to UN chief Gardiner to the effect that unless the Katanga problem were settled by late April, he would have to withdraw from UN forces the facilities and authority previously given. Adoula criticized the UN Command for its lack of support for Leopoldville's efforts to quash Tshombé, accused the UN of not carrying out its mandate, and charged that as a consequence Tshombé's gendarmerie had increased its effectiveness and firepower. While UN officials tend to discount Adoula's resolve for a showdown with the UN, his remarks are in line with his reported new interest in direct bilateral aid outside the UN framework. The letter may have been designed to set the stage for some move in that direction if his talks with Tshombé fail.

Tshombé gives every indication that he will hold to his long-standing position of autonomy for Katanga within a loose Congo federation. The position papers prepared for Tshombé support this, and economic concessions suggested in return for political concessions indicate a tough bargaining position. While the

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papers indicated that Tshombé would agree to ship ores by the former Matadi route, to contribute to the central government budget, and to accept a portion of the Congo's public debt, Katanga would continue to collect all mining export taxes pending a political settlement, maintain a separate currency, and retain 85 percent of all foreign exchange earnings.

While he negotiates with Adoula, Tshombé is also attempting political maneuvers designed to weaken the prime minister's position. Tshombé's main effort appears to be toward a reconciliation with Baluba leaders from northern Katanga to form a "united Katanga" and undercut Leopoldville's attempts to split off the north. Besides pointing out to the Balubas that if the province were split they would be left with the unproductive part, Tshombé is reportedly offering them government posi-

tions in Katanga and a share in its revenues. Tshombé's Conakat party is pushing this line in Leopoldville, and his minister of interior, Munongo, is reportedly on a peace mission in the Baluba area of central Katanga.

While a Conakat-Baluba reconciliation appears to be at the core of Tshombé's maneuvers, there is evidence that Tshombé is trying to convert other present and potential anti-Adoula support within the Congolese parliament and in the provinces. He has reportedly asked Joseph Kasongo, former Congo Assembly president and a leader of Lumumba's old National Congolese Movement (MNC), to send a delegation to Elisabethville, and he has also agreed to send a Conakat delegation to an MNC-sponsored congress of anti-Leopoldville groups in Stanleyville in late April or early May. The embassy believes that the principal Baluba leader, Jason Sendwe, one of Adoula's vice premiers, will oppose the scheme, but notes that other lesser Baluba leaders are tempted, and an alignment between Tshombé's Conakat party and other parties may develop. The Katangan youth group's call for the release of Gizenga may be part of an attempt to make a line-up of radicals with Tshombé's Conakat more palatable.

Gizenga, although still out of circulation, may produce still another problem for Adoula. He is reported to be threatening a hunger strike unless he is released or tried soon. Should he follow through on this threat, the propaganda campaign such a move could generate might force Adoula to take further steps against him and thereby create more strains between moderate and radical forces.

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LAOS

General Phoumi, by his refusal to meet with Secretary Harriman in Bangkok this week, has underscored his opposition to US policy in Laos. Phoumi, who earlier had "welcomed the opportunity" to confer with the Secretary, now claims that his cabinet has ruled against such a "clandestine mission."

Western efforts to reach agreement with Souvanna and Souphannouvong at Khang Khay on a suitable cabinet slate have been hampered by their insistence that coalition terms must be settled at another meeting of the three princes. While Souvanna claims that this curtailment of talks with the West is designed merely to allow "a certain flexibility" in bargaining with Vientiane, it probably resulted from Souphannouvong's fear that Souvanna might reach a unilateral accommodation with the West.

Souvanna and Souphannouvong say that their future bargaining will be based on the principles that the posts of defense, interior, and foreign affairs must go to the neutralist center and that posts given to the two wings, Vientiane and Pathet Lao, must correspond in number and importance.

The USSR apparently regards Phoumi's intransigence and the present stalemate in the Geneva conference and in Laos as developments which can only accrue to Soviet advantage. Deputy Foreign Minister Pushkin con-

tinues to absent himself from Geneva, and Moliakov, acting head of the Soviet delegation (now comprising himself and a secretary), has informed his British counterpart that Gromyko confirmed he had no intention of interfering in the Laotian situation while in Geneva. This indicates that Moscow does not expect an early resumption of formal Laos conference activity and has no desire to work actively to resolve the present impasse.

This view is supported by remarks made by Soviet Ambassador Abramov on his return to Vientiane after an absence of about a month. He said that a solution in Laos now depends on US actions, and told the British ambassador he is planning a three-month vacation beginning in April and will not return until August.

Heavy enemy shelling of the Nam Tha airstrip in northwestern Laos resumed on 18 March but has tapered off to only sporadic firing. This action presumably was triggered by the recent reinforcement of the government garrison with several 105-mm. howitzers and elements of a paratroop battalion from southern Laos. The Nam Tha area had been relatively quiet since the end of February. Elsewhere, government forces have continued to move slowly north in the Nam Beng valley to the west of Luang Prabang, while other activity has been limited to minor probes and ambushes by the two sides.

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WEEKLY REVIEW

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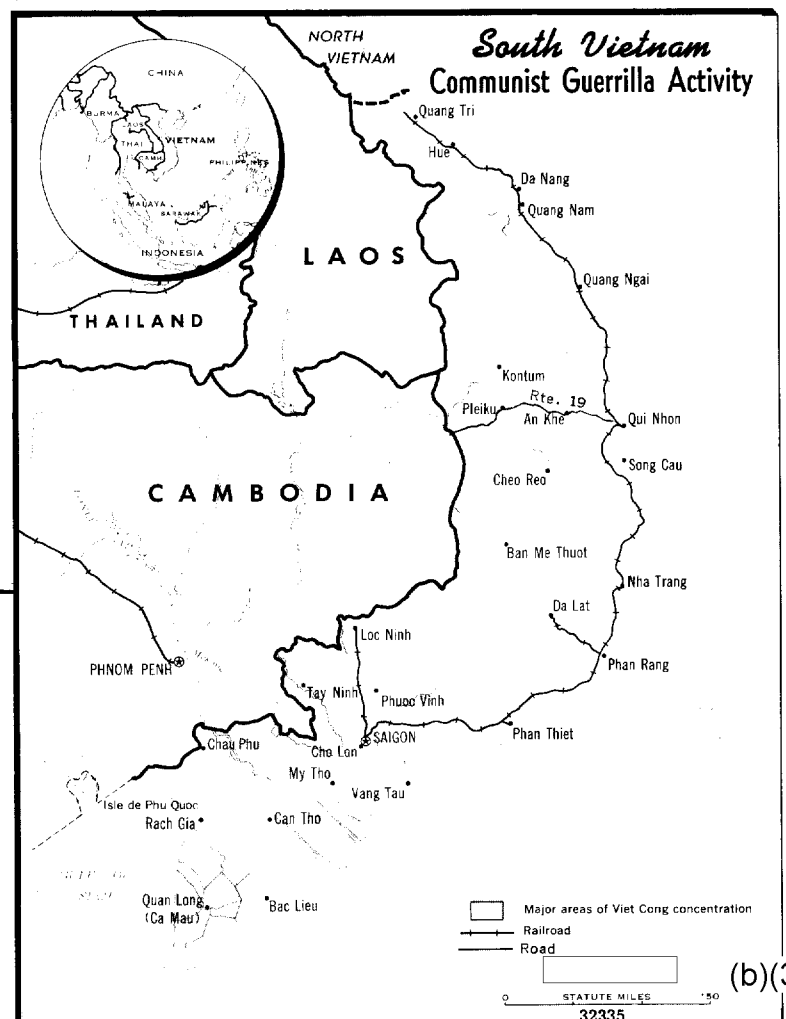
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SOUTH VIETNAM

Government operations in South Vietnam during the past week inflicted some casualties on the Viet Cong by strafing and bombing but failed to trap sizable forces. In Quang Ngai Province, where two Viet Cong groups totaling more than 1,800 had been reported, the first major helicopter troop movements in the northern part of the country were conducted last weekend; government ground forces made contact with only one enemy company northwest of the town of Quang Ngai. In the southern provinces, Viet Cong military action continued at its normally high level. Throughout the country, however, Communist activity of all types dropped during the week ending 12 March to 406 incidents from the previous week's high of 552.

There are tentative reports of enemy airdrops in an area southwest of Pleiku, near the Cambodian border. On the night of 19-20 March a joint US - South Vietnamese radar station at Pleiku picked up unidentified aircraft apparently making airdrops in the vicinity of Route 19; the following night the station noted additional planes, accompanied by fighters, making drops in the same area. The aircraft are said to have left in the direction of Cambodia. Such flights would constitute the first firm evidence of bloc airdrop support. South Vietnamese officials apparently accept the validity of the reports.

Hanoi continues to show a desire for an international conference on Vietnam and to exhibit some impatience with the USSR's failure to move in that direction. In a letter to the Geneva cochairmen on 16 March, North Vietnam's foreign minister called on them to hold consultations among the countries concerned. North Vietnamese editorial comment on the letter pointed out that it was nearly the twentieth time that Hanoi had found it necessary to report to the cochairmen on US activities in the South.

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Although the Soviet Foreign Ministry statement on 17 March charging that US actions in South Vietnam are a serious threat to the peace and security of the area is the strongest Soviet diplomatic move yet on South Vietnam, it falls short of calling for the international conference which both Hanoi and Peiping have indicated they prefer. In a covering note to the UK as a cochairman of the 1954 Geneva conference on Indochina, the USSR merely asked the British to join in demanding that the US immediately stop its interference in the internal affairs of South Vietnam.

The Soviet reluctance to call for a conference at this

time is probably related to Khrushchev's expectation that a summit meeting is in the offing and his desire to deal now with what he considers to be higher priority problems, such as Berlin and Germany. Moscow may fear that insisting on a conference to take up alleged US intervention in Vietnamese affairs might lead to a refusal by the President to take part in the more important conference. The North Vietnamese and the Chinese are not restrained by this consideration; the Chinese, in fact, fear Soviet-Western meetings which do not include them and would prefer, if possible, to sabotage such meetings. [REDACTED] (b)(3)

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GUATEMALA

President Ydigoras, just entering the fifth year of his six-year term, faced the most serious crisis of his administration during the week beginning 13 March. Communist-led students clashed repeatedly with the police, whose ineptness and brutality led to more than 20 deaths and several hundred wounded before the army was called in to restore order on 16 March.

Widespread public repudiation of Ydigoras for permitting

the police excesses led to strong demands for his resignation--supported by some business and professional groups--and strikes by a number of labor unions. Key army leaders, under heavy pressure from inside and outside the military, gave serious consideration to removing him.

The unqualified support for Ydigoras offered by such officers as Colonel Jose Luis Lemus, chief of the air force, overcame the wavering of certain

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highly placed army officers who feared that Ydigoras' continuation in power in the face of public hostility would lead to an extremist takeover of the government, and that a military coup was the only solution. On 19 March, when the worst of the crisis had abated, Ydigoras apparently ordered the replacement of Army Chief of Staff Ponciano and the commander of one of the capital's two key garrisons. There are some indications he may have had to reverse the order.

The American army and air attachés expect further high-level military reassignments of officers who wavered during the crisis. The minister of defense, Colonel Enrique Peralta, may be among those replaced in the near future.

The acute crisis had abated by 20 March, but Ydigoras extended the state of siege to 22 April. He still faces a difficult situation, and a new series of incidents could quickly cause a new deterioration of his position. Student groups are still on strike, although they have called off their demonstrations. Communist-supported guerrilla activity continues in the mountains north of the capital, but this by itself does not constitute an immediate threat to the regime.

The deep wounds and rancors aroused during the crisis will

complicate Ydigoras' already difficult job of developing workable relations with the non-Communist opposition parties--the moderate leftist Revolutionary party, which has significant popular support, the rightist National Liberation Movement, and the small Christian Democratic party. These parties formed a loose alliance during the crisis and formally demanded his resignation. Although the progovernment coalition has at least 48 seats in the 66-member unicameral Congress, there have been defections from this coalition and Ydigoras may have difficulty working with Congress.

A continuing problem of considerable importance is the strong opposition in rightist circles to the candidacy of the popular ex-President Juan Jose Arevalo in the elections scheduled for December 1963. Even his enemies concede that Arevalo would win in a free election. He will not be constitutionally eligible for the presidency, however, until March 1963, when he will have been out of office for the required 12 years. During the course of this year, therefore, opponents of Arevalo will continue to press for Ydigoras' removal, since this would require new elections within four months--while Arevalo is still ineligible. Arevalo is opposed not only by rightists because of his socio-economic reform program but also by certain moderate leftist leaders who are personally antagonistic to him.

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FOOD PROBLEMS IN CUBA

The stringent rationing which became effective in most parts of Cuba on 19 March reflects Cuba's continuing need to import about 30 percent of its basic foods because most of its cropland is planted to sugar cane. Although the bloc now provides most of these imports, many foodstuffs are received in smaller amounts than were formerly supplied by the US. The US used to take two thirds of Cuba's agricultural exports, but its trade break with Cuba and Havana's involvement in barter trade with the bloc have sharply reduced Cuban sales of agricultural products for hard currency, thereby impairing Havana's ability to pay cash for foodstuffs from Western markets. The bloc has not supplied enough of such foods as lard, vegetable oils, rice, beans, and pork, all of which formerly came from the US.

The rationing will include rice, beans, beef, butter, lard, and cooking oils in quantities ranging roughly from one third to two thirds of average consumption levels in 1958. Also rationed are fish, poultry, eggs, milk, fresh produce, soap, and detergents, some of which are rationed at levels higher than 1958 consumption levels. Each adult is to receive one and a half pounds of beans per month, three quarters of a pound of beef per week, and one cake of soap per month.

Cuba ranked among the best fed nations in Latin America in 1958, with an estimated per capita caloric intake of 2,870--well above the minimum requirement of 2,500 calories to sustain good health. While domestic food production has not fallen greatly since Castro came to power, there have been widespread shortages caused by a reduction in imports, inadequate storage, increased demand, and mismanagement of transport, marketing, and distribution facilities. Recent shortages of meat and other livestock products are attributable mainly to excessive slaughtering--precipitated

largely by fear by expropriation--in 1959 and 1960.

Although there is no evidence of serious hunger or malnutrition, Cuba faces further inconveniences and disruptions in its normal consumption patterns. Dissatisfaction over the quality and variety of the diet and resentment over distributional failings are expected to continue. However, per capita consumption could fall 20 percent from the 1958 level and still exceed that in most countries of South America.

Cuba's sugar harvest in 1962 is expected to be no more than 4,500,000 tons, or about two thirds of the 6,800,000 tons harvested in 1961. This drop in production can be attributed to the following: rainfall has been below normal; little new cane was planted in 1959 and 1960; cultivation of the cane was neglected in the last three years; some cane land was plowed up in the crop diversification effort; inexperienced cutters damaged the perennial root stock in 1961; and finally, all standing cane was cut in 1961, leaving no carry-over for 1962.

Beyond these factors, the most important single problem in harvesting has been the difficulty in obtaining labor to cut the cane and transport it to the mills. Many of the experienced cane cutters, disappointed by low wages last year, have found other employment and are not volunteering their services in spite of repeated exhortations from the government. Volunteers are apparently less willing to cooperate this year because grandiose promises made last year were not fulfilled. The sugar content of the cane, which reaches a maximum concentration during late March and early April, falls off rapidly if the harvest is prolonged or if transportation from fields to grinding mills is delayed. Furthermore, cutting and hauling would be handicapped by the rainy season beginning in May. (b)(3)

(Prepared by ORR)

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MIDDLE EAST HIGHLIGHTS

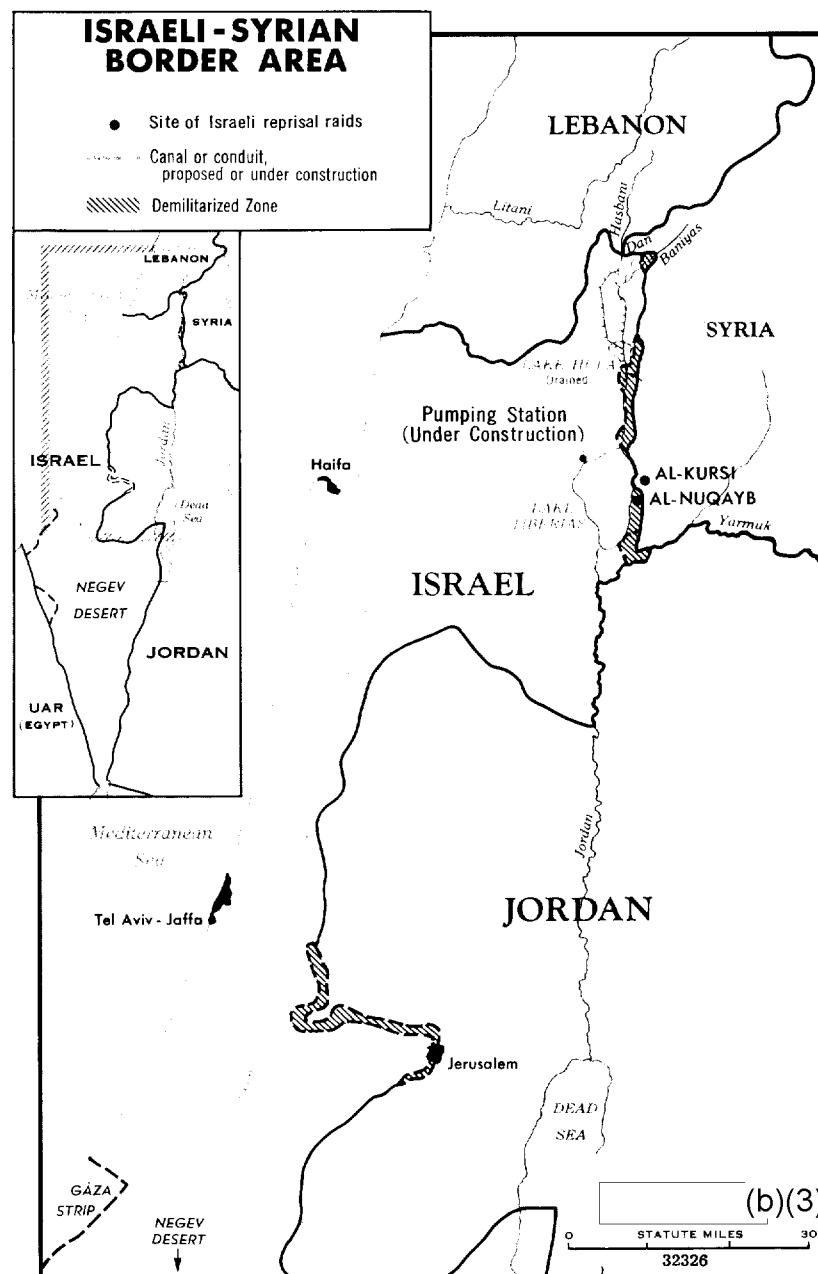
Israeli-Syrian Hostilities

The heaviest fighting along the Israeli-Syrian border in two years broke out on the night of 16-17 March when Israel launched a "reprisal" raid along the eastern shore of Lake Tiberias in the area from which the Syrians had fired on Israeli fishing craft and patrol boats on 8, 15, and 16 March. The Israelis attacked two villages --Al-Nuqayb, in the demilitarized zone, and Al-Kursi--and claim they killed 30 Syrians at a cost of only five Israeli dead; the raid was followed by an artillery duel and Israeli air attacks. The UN Mixed Armistice Commission negotiated a cease-fire after seven hours of fighting.

There continue to be sporadic exchanges of fire, however. On 20 March the Syrians on two separate occasions again fired on Israeli patrol boats that approached Tiberias' eastern shore, maintaining that the patrol boats opened fire first. On 21 March, Foreign Minister Meir said Israel's cabinet had decided that, to permit a relaxation of tension, patrol boats would be kept off the lake during the next few days and Israel would not "at this time" initiate further retaliatory action. Later that day an air battle took place in which the Syrians claim to have shot down an Israeli Super-Mystere jet and the Israelis charge that the Syrians fired on two villages north of Lake Tiberias.

It accordingly seems likely that additional and possibly more serious hostilities will occur.

The Syrian regime evidently initiated the incidents, probably hoping that it could divert both

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the fractious army and the public from their dissatisfaction with internal policies, as well as give the lie to Nasir's recent accusations that revolutionary Syria, the defector from the UAR, is not effectively opposing the Israelis. The promptness and vigor of Israel's reaction reflect not only an immediate grievance but also its sensitivity to disturbances which might jeopardize its Jordan River diversion project.

Syria's Premier Dawalibi emphasized the primacy of the Jordan waters issue in the present crisis during a conversation with Ambassador Knight on 19 March. He stressed the Arab view that it is not a "technical" question of how much water Israel should take but a political one. The Arab states, which refuse even to recognize Israel's existence, deny that the Israelis have any right at all to exploit an "Arab" resource. Ambassador Knight came away with the impression that the Syrian regime believes the "battle of the water" has already begun and that Dawalibi is under severe pressure. The ambassador suspects the Syrians may be gambling that the UN will step in and force Israel to stop work on the diversion project before the situation deteriorates to outright war. Both Syria and Israel have protested to the UN Security Council and have requested a meeting to consider their complaints.

Damascus, in an apparently premeditated attempt to place the US in an unfavorable light, is displaying captured Israeli half-tracks which speakers point out are of American manufacture. As a result, anti-American feeling reportedly is running high.

Syrian Internal Developments

Although the Dawalibi cabinet may have scored some political gain from the border clashes, it is under increasing criticism and may soon fall or be reshuffled. Conservatives and leftists both are dissatisfied with the cabinet's handling of land reform, industry, and denationalization of banking. Leftist junior army officers seem to be putting increasing pressure on the army leadership to take a firmer hand in the government. The Supreme Arab Army Command (SARC), which leads the army and exerts considerable influence over the government, appears temporarily to have settled its internal differences, but is likely to be subjected to new internal strains. Its membership probably will be changed from time to time as factions strive for control.

The government's announcement of a military and economic cooperation agreement with the Qasim regime in Iraq may tend to solidify opposition to it on the part of such diverse elements as the Socialist Baath,

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pro-Nasirites, many army officers, and certain conservative politicians. Since Syria's independence following World War II, one of the country's most controversial political questions has been its relationship with Iraq. The army's fear of union between the two countries precipitated a coup in December 1949 and brought on the Shishakli dictatorship which lasted until early 1954. While the present agreement is a limited one which does not contemplate union, it is likely to heighten such fears.

Although rightists have controlled the government since last September's coup, and rightist military and civilian elements may continue to score tactical successes in the near future, an eventual shift to the left appears likely as left-wing elements increase their influence over the SARC and, hence, the government. Even the present government has had to compromise to a certain extent with radical sentiment.

Saudi Arabia

An almost total change of cabinet made by King Saud eight days after his return to Saudi Arabia makes Crown Prince Faysal again a key figure. He was named assistant prime minister and foreign minister, and the fact that many of the ministers, particularly in the economic field, are known as "Faysal men" indicates that

he will have considerable control over the rest of the cabinet. Although Saud retained his son Muhammad and his nephew Faysal Bin Turki, eleven ministers have been replaced, including Oil Minister Tariki, who had been feuding with Faysal. Most of the newcomers are commoners with some administrative experience.

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Saud allegedly tried to resist a major change so soon after his return to the country for fear of giving substance to UAR charges of instability and corruption, and it is possible that he retains the position of prime minister only temporarily.

Most young Saudis with business interests are reportedly relieved that the feud is over, or quiescent, and that Faysal is back in a position of power. because

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Faysal, although basically conservative, has long attempted to introduce honesty and financial responsibility in government. These Saudis reportedly are also pleased with Faysal's interest in a certain degree of Saudi isolationism,

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Faysal has had a more neutral attitude toward the West than Saud, and in the past he has favored a more conciliatory attitude toward Nasir.

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STALINISTS REMOVED FROM BULGARIAN CABINET

At its first meeting on 15 and 16 March, the newly elected Bulgarian National Assembly approved changes in the Council of Ministers which represent another victory for the pro-Khrushchev leadership of party First Secretary Todor Zhivkov over the powerful Stalinist segment in the party and government. With his control now more solidly assured, Zhivkov stands a better chance to avert a Stalinist challenge at the next party congress, scheduled to begin in late August.

The most important change was the ouster of Georgi Tsankov as minister of interior, a move which probably portends his ouster also from the party politburo. A powerful and feared individual who had held his ministerial post since 1951, Tsankov was perhaps the most hard-line Stalinist in Bulgaria after ex-party boss Vulko Chervenkov, who was dropped from the politburo last November at the onset of the new de-Stalinization campaign.

The next most important change was the removal of Gen. Ivan Mikhailov as minister of defense. Mikhailov, who is at retirement age, saw service in the Soviet Army in World War II and had been Bulgarian defense minister since 1958. His role in the factional problems of the Bulgarian leadership is not clear

Tsankov was appointed, and Mikhailov reappointed, deputy chairmen of the Council of Ministers--less influential positions than ministerial posts--whereas Chervenkov was removed even from

this post last December. This suggests that Tsankov and Mikhailov will not be included in the propaganda drive against Chervenkov and the Stalinist influences in Bulgaria.

The regime appointed as Tsankov's successor Diko Dikov, a former deputy defense minister and most recently the head of a party central committee department, thus bypassing the Ministry of Interior. Deputy defense minister Dobri Dzhurov was named to replace Mikhailov. There were a number of other ministerial changes and appointments which probably have political overtones as well as being moves to improve administration.

Even though he probably has weakened the Stalinists by demoting Chervenkov, Tsankov, and members of the lower party apparatus, Zhivkov still faces major problems in trying to eradicate Stalinist influence. A large part of the membership of the party organization--built up under Chervenkov--remains oriented toward policies enunciated under him and now labeled Stalinist. Regime theoretical journals, moreover, have reported that at the November central committee meeting Chervenkov did not recant his "erroneous" views.

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Because he cannot purge all suspected Stalinists from public life without crippling the party and government apparatus, Zhivkov at present is relying mainly on propaganda in an attempt to discredit Chervenkov and his policies. According to recent reports, however, party members are not being dissuaded, and the people profess to see

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little difference between the Stalinists and the regime. Thus the Stalinists may still be able to mount an effective campaign of resistance within the party apparatus which could affect the August party congress.

Zhivkov's de-Stalinization drive is also faced with other potential problems. De-Stalinization was discussed in December and January in the Writers' Union, a source of dissidence from 1956 to 1958. At these meetings,

several prominent writers who had figured in the earlier dissidence appeared to be again calling into question the role of party direction in literature. The regime appears for the time being to have squelched pressures by some union members to review policy since 1956; although such a review would rebound against Chervenkov, it would also cast the regime in an unfavorable light. [REDACTED] (b)(3)

MONGOLIA: KHRUSHCHEV'S ADVOCATE IN ASIA

Without so much as an ideological nod toward Peiping, Ulan Bator has aligned itself solidly behind the Soviet position in Moscow's feud with Communist China. Mongolia is the only Asian Communist state to do so; North Vietnam equivocates, while North Korea's Stalinist Kim Il-sung cautiously shows a preference for Peiping. Over the past few months, Mongolia has displayed its pro-Soviet stand by attacking the Albanians, openly criticizing the Chinese, and launching an imitation de-Stalinization campaign against Marshal Choybalsan, who headed the Mongolian state and party from the 1930's until his death in 1952.

Addressing the party's central committee in late January, Yumjaagiyn Tsedenbal, Mongolia's premier and party first secretary who himself was a Choybalsan protégé, charged that the cult of personality had led to unjustified mass repressions against "honest" party, state, and military officials and "even against ordinary citizens." The plenum adopted a resolution for "complete liquidation" of Choybalsan's harmful influences, and in late February the marshal's name was removed by decree from the industrial combine in Ulan Bator and from the national uni-

versity. Mount Choybalsan also will be renamed.

The attack on personality cultism is not without hazard for Tsedenbal. Several years ago the Mongolian politburo was torn by a power struggle during which Tsedenbal found denigration of Choybalsan being turned into criticism of his own policies. This struggle culminated in 1959; the more nationalistic members in the politburo were purged, and Tsedenbal emerged in firm control. Mindful of those events, Tsedenbal took pains to warn the central committee last January that close watch would be kept for anyone who might try to use the attack on Choybalsan as an excuse "to throw doubt on the correctness of party policy."

In his role of Asian advocate for Khrushchev, Tsedenbal charged the Albanians with "malicious, slanderous attacks" on the Soviet party. Announcing that criticism of the Albanians was "absolutely correct," Tsedenbal stated, "We cannot agree with the reservations on this question which, for instance, the delegation of the Chinese Communist party made at the Soviet 22nd party congress." [REDACTED] (b)(3)

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THE MACMILLAN GOVERNMENT'S POLITICAL PROBLEMS

Gains by Britain's small Liberal party in recent by-elections point up the public's disappointment with the Macmillan government's performance on a wide range of issues during the past six months. In four by-elections between 8 and 14 March, the Liberals captured by nearly 8,000 votes a seat the Conservatives had carried by over 14,000 in 1959, nearly won another equally "safe" seat, and relegated the Conservative candidate to third place in one of the two seats the Labor party retained.

The Macmillan government has been suffering less from any single issue than from a failure to radiate self-confidence and vitality. The American Embassy in London notes an appearance of "reticence, muddle, and inadequacy": reticence on the case for Britain's entry into the Common Market and on its policy regarding the Rhodesian Federation; muddle in fighting inflation and stimulating the near-stagnant economy; and inadequacy of top cabinet members, including Macmillan, to cope with pressing domestic and overseas problems.

With Labor candidates barely holding their own, the

by-elections provide further evidence that even with Hugh Gaitskell's moderates again in control of defense and foreign policy issues, the Labor party is failing to exploit the government's shortcomings. A party official recently admitted privately that Labor had not found a winning issue. On the momentous question of Britain's entry into the Common Market, the Labor party remains noncommittal.

The Liberals, however, benefited only from the protest vote against the government--much as they did in 1958--and party officials recognize the vast organizational and financial improvement needed before they can threaten the major parties when control of the government is at stake in a national election. While the government can take heart that the Liberals rather than Laborites have been gaining and that it need not hold a general election for another two and a half years, in the coming weeks it will be examining its stand on all issues partly with a view to reversing the voting trend in the five more by-elections due this spring, and it will be especially sensitive to popular pressures during this time.

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COMMON MARKET RELATIONS WITH AFRICA

The six Common Market (EEC) countries are agreed that the 1957 convention which associates 16 African states with the EEC should be renewed when it expires at the end of this year, but they still differ on the exact terms to be offered the Africans. This issue is expected to come to a head in the next few weeks.

Discussion of the new convention has been under way for more than a year, with the major area of contention the advisability of continuing the present arrangement for an EEC-African free trade area. France, supported by the Africans, has taken the lead in insisting that exporters in the associated states continue to enjoy tariff

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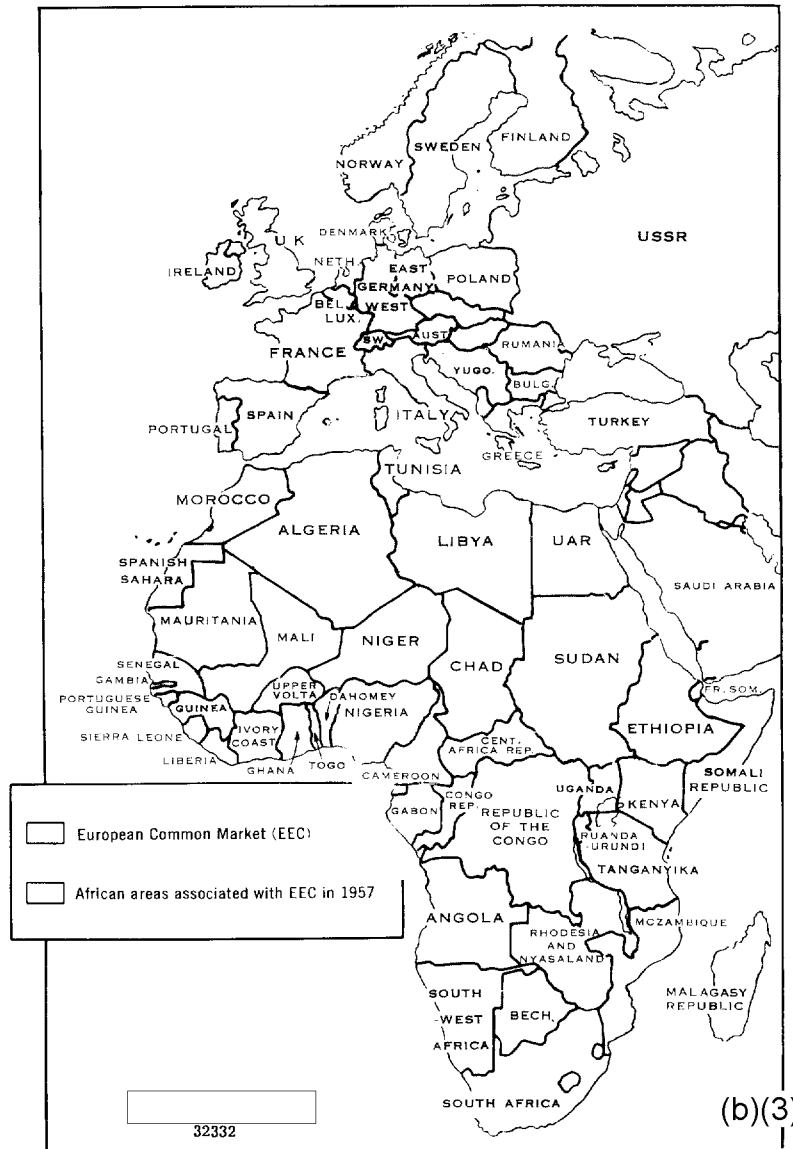
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preferences in the EEC. On the other hand, West Germany and the Netherlands--supported by the United States--contend that the preferential system is outmoded, distorts the economic development of Africa, and raises major problems for competing areas, such as Latin America, which lack equal access to the European market.

Although this gap has in the past appeared unbridgeable, a compromise now may be taking shape. In meetings since early March, France has agreed to a reduction in the level of preference accorded the associated states, provided they are compensated by increased developmental aid. West Germany and the Netherlands have in turn agreed to a "transitional" system with reduced preferences, provided it is terminated as soon as alternative arrangements can be agreed on. Among these alternatives would be the US proposals for global agreements to eliminate tariffs on certain tropical products, stabilize their prices, and provide producers with compensating aid.

Other major problems still to be solved are joint EEC-African institutional arrangements, the future level of developmental aid to the Africans, and the apportionment of the burden among the EEC countries. All six present members are committed to continue EEC aid at least at the previous level--i.e., \$581,000,000 over a five-year period. Some increase in this aid is anticipated by all the member countries, but France, perhaps with the future needs of Algeria in mind, reportedly contemplates an increase to \$1.1 billion for the next five years. Agreement on any amount close to this appears doubtful--especially if France appears to be asking its EEC partners to pick up part of the tab for the French-Algerian settlement.



Further consideration of these issues is expected at a ministerial meeting on 2 April. Most observers agree that the present association arrangements have important advantages for the Africans and that further development of the Eurafican partnership would be a major gain for the West. However, there will be serious reservations over the contemplated continuation of preferential trading arrangements between the two areas--especially so since the area of preference will probably be extended. Britain has repeatedly stated that it can enter the EEC only if African Commonwealth members get the same treatment as other African states.

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SPECIAL ARTICLES

BRAZIL'S SIX MONTHS UNDER GOULART

Joao Goulart, who is scheduled to visit Washington on 3 April, has retained most of the authority theoretically transferred to a prime minister by the constitutional amendment passed last September when he succeeded to the presidency after Quadros resigned. Tancredo Neves, who became prime minister after the Brazilian congress adopted a parliamentary system of government to conciliate military opposition to Goulart's leftist tendencies, has not exercised the power conferred on this office.

At the same time, however, Goulart appears to have had no clear idea of what to attempt as president, beyond taking office and maintaining as much political patronage as possible. In his many years as political protégé of former dictator Getulio Vargas and as vice president under Kubitschek and Quadros, he had never really concerned himself with questions of national policy. In Goulart's first months in the presidency, the Chamber of Deputies passed a profits-remittance bill in effect excluding new foreign investment from the country, and the Senate initiated action to emasculate SUDENE, the organization established for the economic development of the potentially explosive northeast. Goulart, possibly because of his uncertain political position, took no action. In December he gave his active support to the pro-Communist slate which won the national labor confederation elections.

A steady rise in public criticism of the leftist tendencies of his presidency apparently caused Goulart to change his tack later in the month and

throw his influence against a threatened general strike in Sao Paulo. Public opinion also caused swift passage of SUDENE's master plan and first-year appropriations, despite the senators' opposition to the organization.

Goulart's efforts early this year to reassure the more conservative elements of the country appear to have had considerable success. In mid-January he met with representatives of the Commercial Association of Rio de Janeiro and listened to a presentation of their concern over Communist infiltration throughout the country. Subsequently, although Goulart had apparently only listened, the association president reported favorably on the meeting, calling Goulart "a man of the center."

Goulart also engaged in apparently effective conciliation talks with opposition governors in the states of Sao Paulo, Parana, and Rio Grande do Norte. On 21 February he received what was generally interpreted in Brazil as a display of growing military support for his administration when only about five of 81 general officers failed to appear at the celebration of an armed forces holiday. In recent weeks numerous influential Brazilians of pro-American and anti-Communist stamp have expressed the conviction that Goulart is resolved to pursue a domestic policy along moderate, progressive lines and an increasingly pro-American foreign policy. Goulart recently told a high-ranking Brazilian Foreign Ministry official that it was easy and even popular to be anti-American when he had no responsibilities, but that as President

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he knows it is essential to the country's future to work with the United States.

During this same period, however, Goulart insisted on meeting with Cuban President Dorticos immediately prior to the Punta del Este conference, gave no sign of breaking with his pro-Communist labor allies, and replaced an anti-Communist with a neutralist as head of Brazil's politically important petroleum monopoly, Petrobras. Moreover, Goulart has taken no action against Communists in the governmental structure.

The Return of Quadros

Quadros' return to Brazil on 7 March has been generally interpreted as a challenge to Goulart. Quadros apparently hopes next October to win election to congress--or a key governorship--and then to become prime minister, but his long-awaited television address on 15 March was widely appraised as meaningless bombast and evoked little favorable response.

Quadros, however, has on previous occasions recovered completely from seeming political oblivion, and for this reason open opposition to him in Brazil is likely to be restrained. In a campaign for federal deputy--which he would almost certainly win because of the proportional representation system--he may generate considerable support from continuing opponents of the regime and from those who support the belief--widely attributed to Quadros--that Brazil needs a dictatorship.

Status of Parliamentary System

The failure thus far of parliamentary government to

take firm root was highlighted on 15 March by President Goulart's public request to congress to hold a national plebiscite on whether to continue the system. Goulart almost certainly conceived his request as an effort to blunt Quadros' effort to become prime minister.

If prospects appear favorable for continuing the parliamentary system, the entire cabinet may resign soon, since, according to the constitution, cabinet ministers may not run for congress unless they resign at least three months prior to elections. Most of the incumbent ministers were chosen because they held seats in the Chamber of Deputies, and they can be expected to seek re-election even if their resignations threaten the country's political stability.

Under the parliamentary system, elections to the lower house will be harder fought than previously, since this house is the source from which ministers are most likely to come and is the body with power to oust the Council of Ministers. Gains in popularity made by leftist nationalist forces in Brazil in recent years could be reflected in a substantial increase and possible control by this element.

Foreign Relations

The Goulart government, like that of Quadros, seeks to appeal to Brazilian nationalism by demonstrating that its foreign policy is independent of US policy. Formulation of specific policies appears to be in the hands of Foreign Minister San Tiago Dantas--in the 1930s a high official of Brazil's fascist Integralista party and more recently the intellectual leader of the leftist Labor party. The regime has not

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indulged in the petty sporadic anti-US activities of the Quadros government, but neither is it interested in reasserting Brazil's traditional claim to be the best friend of the United States in Latin America. At the Punta del Este conference, Foreign Minister Dantas took the most pro-Castro position of any chief delegate. Dantas now is heading Brazil's delegation to the 17-nation disarmament conference in Geneva and appears inclined to take a more neutralist position than Mexico, the only other Latin American country at the conference.

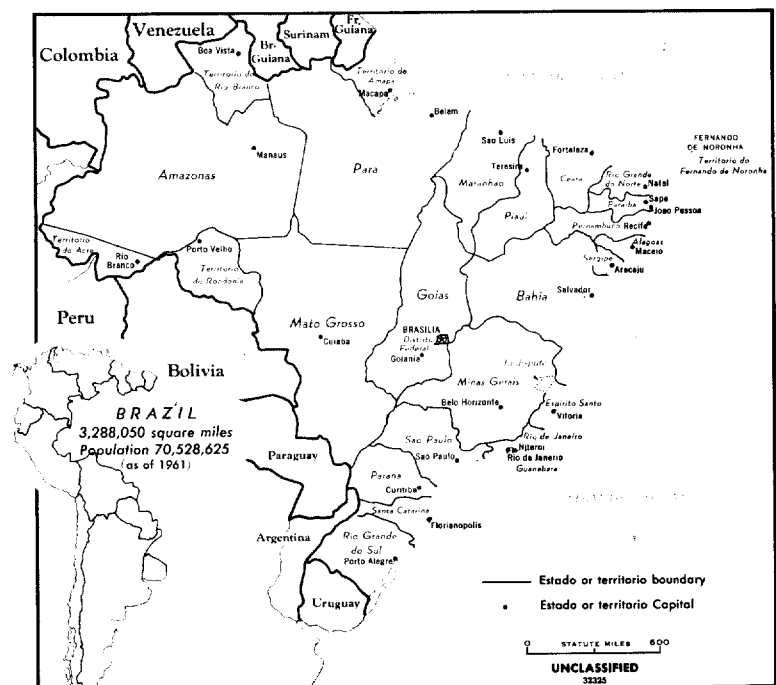
The Goulart government has continued Quadros' policy of developing closer relations with the Sino-Soviet bloc. Quadros had added to Brazilian representation in Eastern Europe--previously confined to Czechoslovakia and Poland--by establishing relations with Rumania, Bulgaria, Hungary, and Albania. He had also initiated diplomatic negotiations with the USSR and trade negotiations with Communist China. The Goulart regime re-established relations with the USSR last November and ratified a banking and payments agreement with Communist China in December. A Soviet industrial exposition is scheduled for Brazil in May, and a Chinese Communist exposition is to take place in August. Soviet First Deputy Premier Mikoyan is reported planning to attend the May exposition and may offer Brazil large-scale economic aid at that time.

Gubernatorial Autonomy

Individual Brazilian states have considerable autonomy, and recent activities of several governors have further reflected the nationalist pressures

affecting foreign policy in Brazil. Governor Brizola of Rio Grande do Sul, for example, on 27 February advocated the expropriation of all foreign enterprises in Brazil, including banks. He announced preparations for seizing a local subsidiary of an American-owned power company. The governor took over a subsidiary of International Telephone and Telegraph Corporation earlier in February, and in May 1959 he seized the American and Foreign Power outlet in his state capital.

The governor may have timed these moves to embarrass President Goulart, his political rival and brother-in-law, prior to Goulart's visit to the United States. Brizola, however, is also seeking to build his national political reputation by exploiting widespread Brazilian dislike for foreign ownership of utilities. He hopes to win election as federal deputy in October and then to be chosen prime minister.

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The problem of foreign utilities is highlighted by the repeated suggestion of Parana Governor Braga--a political moderate--to American officials that one of the greatest steps the US Government could take to promote better relations would be to facilitate the sale of US privately owned public utilities to local authorities. Pernambuco Governor Sampaio and Rio Grande do Norte Governor Alves--members of the generally conservative National Democratic Union--are reported preparing to take early action against foreign-owned utilities in their states.

Governors also show their autonomy by negotiating independently for economic aid from foreign countries. Brizola, for example, has been negotiating with the East Germans for assistance with the telephone system of his state; Alves has negotiated with Polish representatives for industrial equipment; and Governor Aurelio do Carmo of Para visited Czechoslovakia in 1961 and appears to have secured a credit of at least \$5,000,000.

The Land Reform Issue

The land reform problem is becoming an increasingly acute political issue. It has already resulted in small-scale violence and may cause serious outbreaks, in view of reported arms distribution to peasant groups both in the northeast and in Rio Grande do Sul. The diversity of agricultural conditions in Brazil seems likely to delay enactment of any effective national agrarian reform

while stimulating action by individual states. Sao Paulo already has full-scale legislation on the problem, and in several other states some distribution of state lands and colonization is programed.

In a more demagogic approach to land reform, Brizola has encouraged landless farmers to seize two tracts of land--one belonging to private Uruguayans and one largely state-owned. Brizola and Goulart both own vast tracts of land. In his political exploitation of the land question, Brizola has encouraged the organization of peasant leagues on the model of those formed in the Brazilian northeast over the past two years by pro-Castro Francisco Juliao.

While peasant leagues now exist in most Brazilian states, most of them are in the key northeastern state of Pernambuco, where they have a total membership of about 20,000. The most active league in the northeast, however, and the one reported most likely to resort to violence is in Sape, in the state of Paraiba. It has a membership of 5,000 and apparently forms a nucleus of opposition to the local government dominated by the National Democratic Union.

Orthodox Communists have expressed some disapproval of Juliao because he advocates more violence than the party wants at this time when it is seeking legality. The expulsion in late 1961 from the Communist party of high-level popular members who advocate

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a more revolutionary line and who, with Juliao, are sympathetic to Chinese Communist methods has resulted in the formation of a dissident Communist group. The dissidents may provide ideological and financial support for peasant agitation.

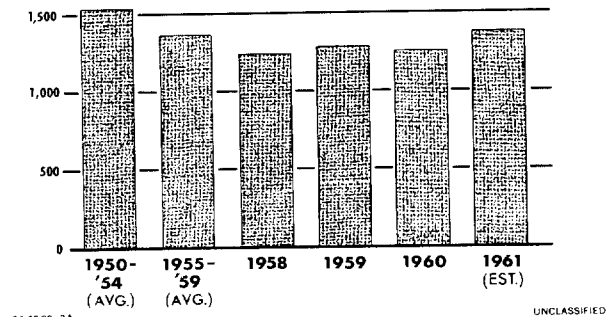
Economic Disequilibrium

Brazil has for some years faced fundamental economic disequilibrium in its balance of payments as well as an erratic but rapid rise in the cost of living which contributes to political tensions. The balance of payments problem arises from the failure of export revenues to rise sufficiently over the past ten years, while gross national production has increased about 8 percent annually and has been reflected in an increasing demand for imports.

Under both Quadros and Goulart, the Brazilian Government has attempted to increase exports, find substitutes for imports, and expand net receipts from foreign loans. In all three aspects of its effort to improve its balance of payments, Brazil under Quadros and now under Goulart has sought help both from free world and from Communist bloc countries.

Brazil's effort during 1961 to expand exports--which included a slight rise in trade with the bloc--resulted in an 8-percent expansion of receipts. The export products that showed better than average increases were sugar, iron ore, cotton, tobacco, meat, castor-seed oil,

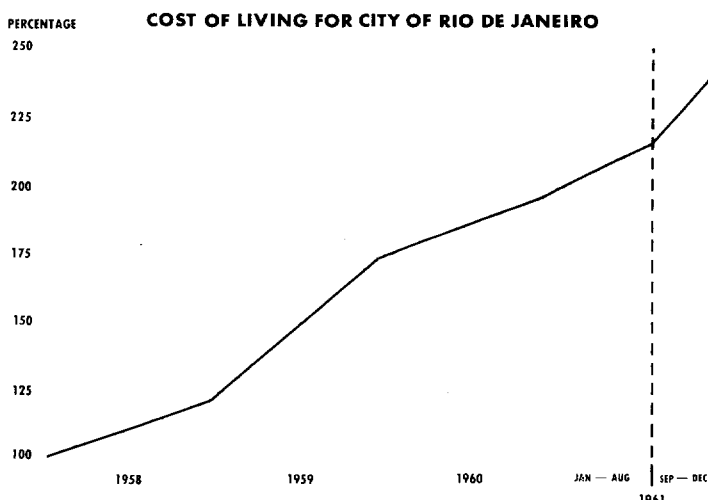
VALUE OF BRAZILIAN EXPORTS
(MILLION DOLLARS F.O.B.)



menthol, and miscellaneous products (which include the rapidly growing manufactured goods exports).

Petroleum is the single commodity which figures largest in Brazil's imports. The substitution of domestic production for petroleum imports would contribute greatly toward a solution of the balance of payments difficulty. Petroleum imports amount to \$250,000,000 annually--one sixth of the cost of Brazil's total commodity imports. Even at this cost, the Brazilian military reportedly found supplies of petroleum inadequate for their operations during the political-military crisis of 1961. Some high officials now are considering exploitation of the country's large reserves of oil-bearing shale, possibly with US or Soviet assistance. Such a program, if it promised to be successful, would have strong support from political and military leaders who have long opposed dependence on foreign sources of oil.

Brazil's efforts to expand its foreign borrowing met with considerable success in 1961, largely because of assistance arranged in May 1961 and subsequently from the International Monetary Fund, US agencies, and European creditors. Despite improvement in 1961 over 1960, Brazil's foreign exchange shortage is still critical, since export revenues barely equal the cost of imports, and debt repayment in the next few years may come to 15 or 20 percent of export receipts.



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TURKEY'S ECONOMIC PROSPECTS

The Turkish Government, with its prospects somewhat improved by the weakening of organized opposition at both ends of the political spectrum, is beginning its first fiscal year in office (1 March 1962 to 28 February 1963) with a one-year program designed to prepare the national economy for a period of growth during the 1963-1968 Five-Year Plan. As in the past, Turkey will need to rely on outside assistance to cover current deficits as well as to finance long-term development projects. Although its strategic value as an ally will be stressed in appeals for aid to the US, West Germany, and NATO, Turkey must also convince potential sources of foreign credit that its long-term economic prospects make the country a sound investment.

The obstacles are formidable. The country's failure to put to good use the massive assistance received during the past decade, the legacy of waste and mismanagement inherited from the Menderes government, and the generally poor showing of the state enterprises which dominate the most active sectors of the economy tend to discourage investment in Turkey. Inflation, which threatened national bankruptcy in the summer of 1958, is not now a serious threat, however, having been checked by the fiscal austerity of the Committee of National Unity (CNU) government which held office between the overthrow of the Menderes regime and the October 1961 elections. The most pressing problems with which Turkish economic planners must cope during fiscal 1962 are unemployment, which is growing as surplus rural workers move to the cities, and general economic stagnation.

Short-term Outlook

The 1962 budget, approved on 28 February, is of record size (approximately \$1 billion) and calls for a deficit of nearly \$130 million. Aid from the US and West Germany is expected to offset about \$75 million of this deficit. If additional foreign credits are not obtained from NATO or from international lending agencies, the remainder will be met by currency issue.

The "fixed" items of defense and administrative costs have been held at levels only slightly higher than in 1961. Roughly proportionate across-the-board increases are planned in government investment in housing, agriculture, electric power, transport and communications, education and public health, and industry, but these also appear set at reasonable levels.

Revenue estimates seem somewhat optimistic, perhaps in the expectation of a continuation of recent better than average exports of certain commodities. The hope that Turkey will be admitted to the European Common Market may also have influenced some of the foreign trade projections. Several new sources of revenue not reflected in the estimates may develop, however, in the form of increased transfer payments from Turks working abroad and direct tax revenues from agricultural production. These may help to offset the expected decline in private capital inflow.

Longer Term Prospects

Turkey's economic progress toward self-sufficiency under the coming Five-Year Plan will depend on its success in raising

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capital to finance industrial expansion. This could be accomplished through increased exports of raw and semifinished products during the 1963-68 period if a well-designed program of resource allocation were followed.

Metallic and other materials appear to offer the best immediate prospects. Commercially exploitable deposits of iron ore, chrome, copper, mercury, zinc, and boron are found in many parts of Turkey, and current exploration suggests that large deposits of these and other minerals still remain undiscovered. Nearly all the mines now being worked are fairly accessible to ports or markets. It appears likely therefore that the mining output could expand rapidly to meet increases in demand.

The fuel situation is less promising. Although coal production can probably keep pace with growing domestic requirements, oil production has fallen far short of earlier estimates and now shows little promise of relieving the serious drain of foreign exchange for imports of petroleum products. Some saving will be realized by the planned expansion of refining capacity, however.

Agricultural products will remain an important source of foreign exchange, but considerable revision of present practices will be needed. Turkey's agriculture was characterized until the present decade by vast areas devoted to production of a few locally consumed items. Specialized cash crops which entered into international trade were grown in several places, but the amount of revenue they produced was slight. These crops included tobacco, dried and fresh fruit, hazelnuts, pistachios, and cotton.

Tobacco and cotton are usually good export items, but Turkey's tobacco crop is dependent on special conditions of soil and climate found only in a small area along the Black Sea coast which is already intensively cultivated. Production of short-staple cotton could be

greatly expanded, however. Considerable land suitable for cotton growing is found along the Syrian border, and water from the Upper Euphrates system is available for irrigation. If Turkey were admitted to the Common Market, increased demand from this quarter could be met by eastward expansion of the present cotton-producing area.

Turkey's leading cereal crop, wheat, appears to hold little promise of becoming a reliable export item. Its production was artificially stimulated under the Menderes government, and for a time Turkey ranked as one of the leading world exporters. A great deal of marginal land was brought into production, however; and droughts of recent years culminated in the disastrous crop failure of 1961, which necessitated a Turkish request for US wheat. The government plans to convert much of the marginal wheat land in the eastern provinces to livestock use, and to increase intensive farming practices in the Aegean and Mediterranean regions. Both of these schemes appear feasible and could result in more efficient land use, but they will require heavy capital outlays and extensive retraining of the local populations.

Large areas of Turkey are well suited for stock raising, and a ready foreign market exists for meat and animal products, but although sales of live animals and hides from the eastern provinces to neighboring countries have increased in recent years, Turkey's potential as a meat-producing region of international significance has gone unrecognized. The scrub stock raised on open pasture is slaughtered and consumed locally, with finishing-off for market practiced only in areas near sugar refineries, where the animals are fed beet pulp. With adequate government investment in breed improvement, in refrigerated storage and transportation equipment, and in feedlot and slaughterhouse facilities, the establishment of a good stock-raising and meat-packing industry in Turkey seems possible.

The development of intensive agriculture in the western

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regions would probably require less initial investment than the expansion of livestock production. The mild climate and cheap agricultural labor in the Aegean and Mediterranean coastal regions favor both expansion of the truck farming already carried out there and the establishment of a local food-processing industry to handle the high-value food items which the area can produce. Such local items as peaches, artichokes, peas, shrimp, and anchovies could compete in quality and price in any market, if processed, packaged, and delivered according to market standards.

Another potential source of foreign exchange now receiving great attention is tourism. Present plans call for large-scale government support, including promotional advertising, low-interest loans for the construction of modern tourist facilities, relaxation of many of the petty customs regulations which have irritated foreign visitors, and the establishment of a government-sponsored training school in hotel management.

It is too early to assess the chances for developing an important tourist industry in Turkey, but, as a West German adviser on tourism has recently pointed out, the road distance between Hamburg and Istanbul is approximately the same as from New York to Miami, the number of potential tourists in Western Europe is increasing rapidly, and the roads across Yugoslavia and Greece are being improved. These factors, together with the pleasant climate and scenery of western Turkey and its proximity to the heavily traveled Mediterranean cruise routes, favor the expansion of tourism and have made it an important objective of the Five-Year Plan.

Drawbacks

Although Turkey's natural endowments offer the prospect of significant increases in foreign exchange earnings, progress is threatened by a number of institutional factors. The peasant population, while docile

and hard-working, is conservative and resistant to change. There is also a serious shortage of technically qualified personnel to carry through many of the government's planned programs. The dead hand of bureaucracy rests heavily on enterprise, stifling initiative and often imposing exorbitant administrative costs.

Despite widespread underemployment and a low wage scale, labor is expensive in Turkey because of its low productivity. Private capital is scarce, and tends to be invested either in land or in urban housing. Entrepreneurial and managerial classes are lacking, and young Turks with better than average education prefer to seek their fortunes in government or the professions rather than in business.

Nevertheless, despite its reliance on outside financing, its weak currency, lack of know-how, and poor past record, the Turkish economy possesses an essential vigor which could project the nation into an era of higher living standards. The country's natural resources, if properly used, are capable of providing the base for a rate of capital formation adequate to sustain unaided economic growth. As in the past, much will depend on the integrity and ability of the governing body.

The present regime appears more willing to face reality in economic planning than its predecessor. Much of the responsibility for coordinating governmental development programs is exercised by Minister of State Turhan Feyzioglu, an able administrator with a reputation for hard work. Feyzioglu has brought together a group of advisers, many of whom--holders from the CNU period--are less subject to political pressures than those whom they have replaced. There are hopeful signs that the present group will carry out the government's programs in a more coordinated manner than was achieved by the previous administration.

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