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IF ATTRACTIVE TRADE OFFERS WERE FORTHCOMING FROM THE COMMUNISTS. COMMUNISTS HAVE RECENTLY AMPLIFIED THEIR ADVOCACY OF MORE TRADE WITH THE "SOCIALIST COUNTRIES." (CONF)

3. CENTRAL AMERICA: WHILE THE HONDURAN REGIME CONTINUES TO SEEK INTERNATIONAL RECOGNITION, OTHER CENTRAL AMERICAN GOVERNMENTS ARE URGING IT TO RETURN TO AT LEAST A SIMILANCE OF DEMOCRATIC GOVERNMENT UNTIL ELECTIONS CAN BE HELD. IT SEEMS QUESTIONABLE, HOWEVER, THAT THE REGIME WILL FOLLOW STRICTLY CONSTITUTIONAL PROCEDURES BECAUSE TO DO SO MIGHT MEAN INSTALLING A NEW PRESIDENT UNACCEPTABLE TO THE MILITARY.

4. GUATEMALA: ANOTHER CLANDESTINE REPORT OF COUP PLOTTING BY DISSENTING MILITARY ELEMENTS ASSERTS THAT THE CONSPIRATORS ARE READY TO MOVE AT ANY TIME, AND WILL USE THE PRETEXT THAT A COMMUNIST COUP IS IMMINENT. THIS APPEARS TO BE A WEAK PRETEXT IN VIEW OF THE PERALTA REGIME'S STRONG ANTI-KREKEMIST MEASURES WHICH HAVE THROWN THE COMMUNISTS INTO DISORDER. POLICE FORCES WERE PLACED ON ALERT ON 14 OCTOBER, BUT IT IS NOT CLEAR WHETHER THIS WAS PROMPTED BY RUMORS OF A COUP.

5. PANAMA: FOREIGN MINISTER SOLIS SAYS THAT HIS GOVERNMENT WILL, IN THE NEXT FEW WEEKS, AGAIN REQUEST FORMAL NEGOTIATIONS WITH THE UNITED STATES TO REVISE THE 1903 TREATY COVERING THE CANAL ZONE. WITH A

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PRESIDENTIAL ELECTION SET FOR NEXT MAY, THE CHIARI GOVERNMENT'S RAISING OF THE CANAL ZONE PROBLEM AT THIS TIME SEEMS INTENDED AS AN EFFORT TO KEEP THE INITIATIVE AWAY FROM ITS OPPONENTS ON THIS HIGHLY EMOTIONAL ISSUE. SOLIS ADMITTED AS MUCH BY SAYING THAT THE OPENING OF NEGOTIATIONS WOULD "KEEP THE PANAMANIAN PUBLIC QUIET." (CONF)

6. DOMINICAN REPUBLIC: CONTINUING POLITICAL ISOLATION AND REPORTED COUNTERCOUP PLOTTING BY BOTH ITS OPPONENTS AND SOME AVOWED SUPPORTERS ARE MAKING THE NEW GOVERNMENT'S FUTURE INCREASINGLY UNCERTAIN.

TRIUMVIRATE LEADER EMILIO DE LOS SANTOS IS REPORTED TO BE ANXIOUS TO RESIGN ALLEGEDLY BECAUSE OF HIS DISGUST WITH "SORDID ACTIVITIES OF THE POLITICAL PARTIES PARTICIPATING IN THE REGIME." CIVILIAN LEADERS AND MILITARY BACKERS OF THE NEW GOVERNMENT ARE REFUSING TO RELINQUISH THEIR POWER TO JUAN CASASNOVAS, PRESIDENT OF THE DISSOLVED SENATE AND THIRD IN PRESIDENTIAL SUCCESSION UNDER THE ABROGATED CONSTITUTION. WHO CLAIMS THAT A RECENT QUORUM OF THE DEPOSED CONGRESS SECRETLY ELECTED HIM PRESIDENT. HE HAS BEEN SEEKING HEMISPHERIC RECOGNITION AS THE CONSTITUTIONAL PRESIDENT.

7. ECUADOR: TEN ECUADOREAN ARMY OFFICERS ARE TAKING A 75-DAY COURSE IN ISRAEL ON AGRICULTURAL ADMINISTRATION. THE ECUADOREANS WILL

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REPORTEDLY APPLY THE KNOWLEDGE THEY GAIN TO THE AGRARIAN REFORM PROGRAM CONTEMPLATED BY THE GOVERNING JUNTA. SINCE ISRAEL AND ECUADOR SIGNED A TECH TECHNICAL ASSISTANCE AGREEMENT IN FEBRUARY, THE FORMER HAS PROVIDED HYDROLOGY EXPERTS AND A MISSION TO EXPLORE MEANS OF STIMULATING ECUADORIAN AGRICULTURE AND INDUSTRY. (CONF)

8. ECUADOR: THE ACTING HIGHER DIRECTOR OF THE POWERFUL CONSERVATIVE PARTY HAS REITERATED THE PARTY'S INTENTION TO WITHDRAW ITS SUPPORT FROM THE GOVERNING MILITARY JUNTA. HE ADVOCATES THE EVENTUAL ESTABLISHMENT OF A DICTATORSHIP, EITHER CIVILIAN OR MILITARY. IN THIS CONNECTION, HE MENTIONED THE NAME OF THE AMBITIOUS DEFENSE MINISTER, GENERAL AURELIO KARANJO, WHO HAS BEEN CLOSE TO THE CONSERVATIVES. (CONF)

9. VENEZUELA: THE MINISTER OF DEFENSE FORESEES A FURTHER INCREASE IN TERRORIST ACTIVITIES. HE INTIMATED TO THE US AMBASSADOR ON 9 OCTOBER THAT THE ARMY IS HAVING TROUBLE SUPPRESSING VIOLENCE LARGELY BECAUSE OF THE GOVERNMENT'S PAST LAXNESS. HE WAS GLOOMY ABOUT THE FUTURE AND CRITICAL OF THE GENERAL PUBLIC'S LACK OF COOPERATION. (CONF)

10. BOLIVIA: THE POLITICAL FORTUNES OF PRESIDENT VICTOR PAZ ESTERROSO, WHO WILL ARRIVE ON 22 OCTOBER FOR A TWO-DAY WASHINGTON VISIT, HAVE IN RECENT MONTHS STEADILY IMPROVED, AND HIS POSITION IS NOW PROBABLY

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STRONGER THAN AT ANY TIME SINCE HIS ELECTION IN 1960. SINCE THE FIRST OF THE YEAR, HE HAS SCORED GAINS AT THE EXPENSE OF HIS PRINCIPAL OP-
ponents, THE MOST POWERFUL OF WHOM STAND WELL TO THE LEFT OF HIS AD-
MINISTRATION AND HAS SO FAR MANAGED TO MAINTAIN CONSISTENCY IN HIS
POLICIES

1) BRAZIL // PRESIDENT GOULART HAS SUFFERED TWO SERIOUS SETBACKS
~~RECENTLY~~ THE OVERWHELMING OPPOSITION ^{to} OF HIS REQUEST FOR A STATE OF
SIEGE WHICH FORCED HIM TO WITHDRAW HIS REQUEST AND THE CONGRESSIONAL
VOTE ~~REJECTED~~ AGAINST HIS AGRARIAN REFORM CONSTITUTIONAL AMENDMENT.

GOULART'S BACKTRACKING IN THE FACE OF THE CONGRESSIONAL OP-
POSITION TO HIS REQUEST FOR A STATE OF SIEGE REPRESENTS A SERIOUS BLOW
TO HIS RELATIONS WITH CONGRESS. THE FLOOR LEADER OF HIS OWN LABOR PARTY
IS BEING REPLACED AS A RESULT OF HIS OPEN OPPOSITION TO THE REQUEST.

~~THE US EMBASSY IN BRASILIA COMMENTS THAT GOULART'S GOVERNMENT
COALITION IS IN SERIOUS DANGER OF DISSOLUTION WITH THE LARGER SOCIAL
DEMOCRATIC PARTY (PSD) AGREEING TO MEET ON 14 OCTOBER TO DISCUSS HIS
RECENT BREAKING WITH GOULART. ONLY 11 OF THE 120 PSD DEPUTIES SUP-
PORTED GOULART'S AGRARIAN REFORM AMENDMENT.~~

US
THE EMBASSY ~~ALSO~~ COMMENTS THAT CONGRESSIONAL SENTIMENT FOR

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IMPEACHING GOULART HAS BEEN CONSIDERABLY STRENGTHENED BY RECENT EVENTS, ALTHOUGH PERHAPS NOT TO THE POINT OF POSING AN IMMEDIATE THREAT TO HIM.

IN ARRIVING AT HIS CONCLUSION TO WITHDRAW HIS REQUEST FOR A STATE OF SIEGE, GOULART TURNED TO HIS LEFTIST BROTHER-IN-LAW LEONEL BRICOLA FOR ADVICE, ACCORDING TO A USUALLY RELIABLE CLANDESTINE SOURCE. THEY REPORTEDLY AGREED THAT GOULART SHOULD TREAT THE ~~THEIR~~ APPEALS FOR WITHDRAWAL FROM VARIOUS GOVERNORS, MAYORS, AND STUDENT AND TEACHERS' UNIONS AS A "VOTE OF CONFIDENCE" AND THAT GOULART SHOULD CONCENTRATE ON REGAINING THE SUPPORT OF THE "POPULAR FORCES"

PRO-COMMUNIST MIGUEL/ARRAES, GOVERNOR OF PERNAMBUCO, HAS ALREADY PUBLICLY PROCLAIMED GOULART'S ACTION AS A "VICTORY FOR THE PROGRESSIVE FORCES."

ADDING TO GOULART'S WOES IS DISSATISFACTION IN THE MILITARY ESTABLISHMENT OVER WAR MINISTER RIBEIRO'S HANDLING OF THE REQUEST FOR THE STATE OF SIEGE THE US ARMY ATTACHE HAS SEEN A LETTER FROM THE ARMY CHIEF OF STAFF TO RIBEIRO IN WHICH HE CASTIGATES THE WAR MINISTER FOR NOT HAVING DISCUSSED THE SITUATION WITH MILITARY LEADERS PRIOR TO URGING GOULART TO SEEK A STATE OF SIEGE //

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12. BRAZIL // SAN THIAGO DANTAS, A MAJOR BRAZILIAN POLITICAL FIGURE, HAS TOLD US AMBASSADOR GORDON THAT HE IS MORE PESSIMISTIC ABOUT BRAZIL THAN AT ANY TIME SINCE GOULART CAME TO POWER TWO YEARS AGO.

DANTAS WHO WAS BOTH FOREIGN AND FINANCE MINISTER IN GOULART'S CABINET, SAID THAT WHILE PLEASED WITH THE WITHDRAWAL OF THE STATE OF SIEGE REQUEST, HE FELT THAT THE EPISODE HAS FURTHER UNDERMINED CONFIDENCE IN THE VIABILITY OF THE ~~EXISTING~~ INSTITUTIONAL STRUCTURE OF THE COUNTRY. HE BELIEVES IT HAS LAID THE BASIS FOR FURTHER POLARIZATION OF POLITICAL OPINION

DANTAS THINKS THAT THE PRINCIPAL REASON GOULART WITHDREW THE REQUEST WAS THE MASSIVE OPPOSITION FROM THE "SO-CALLED POPULAR FORCES," BY WHICH HE MEANT LEFTIST EXTREMISTS, WHO PROBABLY FELT THAT THE STATE OF SIEGE MIGHT BE USED TO TAKE ACTION AGAINST THEM. (BUO) //

13. YUGOSLAVIA - LATIN AMERICA - NONALIGNED STATES: // MEMBERS OF TITO'S ENTOURAGE CONSIDER THAT HIS RECENT VISITS TO BRAZIL, CHILE, AND BOLIVIA WERE FAILURES. ACCORDING TO A USUALLY RELIABLE CLANDESTINE SOURCE. THEY WERE EXTREMELY PLEASED BY HIS ~~WARM~~ ~~RECEPTION~~ RECEPTION IN MEXICO, HOWEVER, APPARENTLY BECAUSE OF THE CONSIDERABLY LARGER PUBLIC TURNOUT. TITO REPORTEDLY CAUSED SOME CONSTERNATION AMONG DELEGATES

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FROM THE NONALIGNED STATES AT THE UN BY HIS REMARKS IN LATIN AMERICA THAT THE CONCEPT OF BLOC AND NONALIGNED STATES HAS BEEN SUPERSEDED BY A NEW DIVISION OF THE WORLD INTO STATES WORKING FOR "PEACEFUL CO-EXISTENCE" AND THOSE AGAINST IT.//

14. THE LATIN AMERICAN FREE TRADE ASSOCIATION: THE LATIN AMERICAN FREE TRADE ASSOCIATION (LAFTA) IS CURRENTLY IN SESSION TO NEGOTIATE A THIRD ROUND OF TARIFF REDUCTIONS ON INTRA-REGIONAL TRADE. THE LAFTA TREATY ENVISAGES THE ELIMINATION OF TARIFFS ON "SUBSTANTIALLY ALL" INTRA-REGIONAL FREE COMMERCE BY 1972 AND INDICATES THAT THIS WILL BE A STEP ^{TO} ~~FORWARD~~ THE EVENTUAL FORMATION OF A CONTINENTAL COMMON MARKET. THE PROSPECT HAS NOT ONLY STIRRED THE IMAGINATIONS OF ECONOMISTS AND BUSINESSMEN: IT HAS SPARKED THE INTEREST OF POLITICAL LEADERS, WHO PERCEIVE POSSIBILITIES OF DEVELOPING LAFTA AS A ~~MAJOR~~ FORCE FOR EXTENDING LATIN AMERICAN INFLUENCE IN WORLD ~~ECONOMIC~~ COUNCILS

END OF MESSAGE

Recd

William A. ...

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