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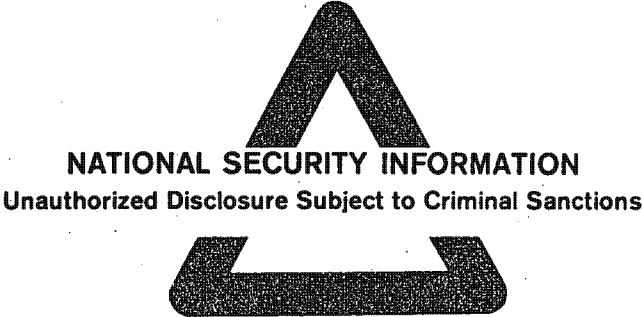
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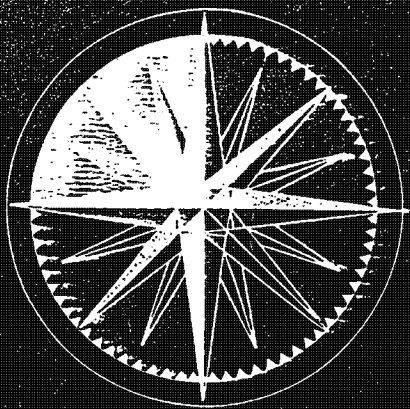
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29 November 1963

SC No. 00620/63
Copy No. 397

WEEKLY REVIEW

OFFICE OF CURRENT INTELLIGENCE

SERIES "DL"

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	SOVIET NUCLEAR SUBMARINE PATROLS	3
98	A recent 41-day voyage by an E-class submarine in the northern Pacific, the first known out-of-area mission by any of the USSR's nuclear units, may pre- sage their regular use on long-range patrols.	
	SOVIET THOUGHT ON ARMORED VEHICLE DEVELOPMENT	
98	Information compiled from classified Soviet documents has provided a good picture of the thinking among Soviet military leaders on development of tanks and other armored vehicles. They appear to be aiming toward two distinct tank types--a reconnaissance and a main battle tank--to replace the traditional light, medium, and heavy types. (Published separately as Special Report SC No. 00620/63A)	
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98	The regimes there hope to prevent a recurrence of the widespread discontent and the economic dislocations which resulted from last year's severe winter.	
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98	Their gradually increasing trade in non-Communist Asia provides foreign exchange the Chinese need to buy grain. Their aid activities in the area will probably remain at a moderate level as long as the grain imports continue.	

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ASIA-AFRICA

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JAPANESE ELECTION OUTCOME

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98 The ruling Liberal Democratic Party's victory did not significantly shift the balance between right and left, although the moderate socialist party scored significant gains at the expense of its more extreme rival.

HIGH LEVEL OF VIET CONG ACTIVITY IN SOUTH VIETNAM

7

98 Communist military action has become more effective and widespread in recent weeks, thereby increasing pressure on South Vietnam's new rulers to produce some dramatic achievement.

AREA NOTE

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On Laos

THE TURKISH POLITICAL SITUATION

98 Turkey's military leaders--who have retained ultimate authority since their takeover in 1960--must soon decide whether to turn over power to a civilian party they do not trust or try to maintain in power the present group which not only lacks popular support but shows no signs of being able to generate it. Hitherto submerged currents of leftist opinion may be coming to the surface. (Published separately as Special Report SC No. 00620/63B)

SYRIAN AND IRAQI REGIMES TRYING TO STABILIZE

8

98 Relatively moderate elements in both the Baghdad and the Damascus regimes seem anxious to reach an accommodation with their various internal factions as well as between the two governments, but extremist pressures are still strong.

CONGOLESE EXPEL SOVIET DIPLOMATS

9

98 Soviet representatives in Leopoldville had been assisting a radical exile group plotting against Premier Adoula from neighboring Brazzaville.

MALAISE IN MALI

11

98 The government of President Modibo Keita is faced with mounting criticism from powerful local political figures, dissidence among nomads, and a desperate foreign exchange shortage.

EUROPETHE DE GAULLE - ERHARD TALKS

12

98 The 21-22 November talks seem to have established a good working relationship between the two leaders and clarified certain aspects of French and West German policies but produced few decisions.

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EUROPE (continued)PageWESTERN EUROPE'S STEEL PROBLEM

13

98 A meeting next week of the Coal-Steel Community's Council promises to have far-reaching implications for the CSC's future as well as for the outcome of international tariff negotiations in the spring.

ITALY'S ALDO MORO

98 In nearly five years as party secretary, Moro has won the confidence of Italy's perennially divided Christian Democrats but has only limited experience in cabinet posts. Personally retiring, he seems to be undertaking the premiership with reluctance. (Published separately as Special Report SC No. 00620/63C)

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Cuba

CUBANS APPREHENSIVE OVER POSSIBLE US POLICY CHANGE

Cuban leaders are apprehensive that President Kennedy's assassination will result in a more "aggressive" US policy toward Cuba. Intercepted Cuban military messages revealed that certain units of the armed forces were put on defensive alert immediately after news of the President's death reached Cuba. The alert was maintained for about three days.

Fidel-Castro's two-hour speech on 23 November, which he termed an "objective analysis" of the implications of the assassination, warned Cubans that the President's death was "serious and bad news." It could, he said, turn "a bad situation" into a worse one. He also asserted that President Kennedy's alleged promise not to invade Cuba had been strongly attacked by those "ultrareactionaries" in the United States who now are trying to create a climate of "anti-Soviet and anti-Cuban hysteria" designed to pressure the new US President toward a Cuban policy "highly prejudicial to the interests of peace and of mankind."

Castro stated that he had never heard of Lee Harvey Oswald and insinuated that the Castro-

Communist affiliations of the accused assassin were fabricated by US "reactionaries" who, he claimed, were the only people who could benefit from the President's death. In this connection he warned that a "sinister maneuver" was under way, and declared "we must be cautious and vigilant and alert."

Che Guevara echoed these warnings in a speech of 24 November, declaring that "the years coming are going to be as tough as, if not tougher than, the years just past...we must be prepared to repel any attack." He expressed confidence in ultimate victory, not only for Cuba but also for "the peoples of Latin America."

Guevara stressed that the revolutionary ferment in Latin America is reaching a climax and that the people there "are going to conquer power in whatever manner necessary, destroying whatever force that opposes them." He pointed out that Cuba's continuing "anti-imperialist struggle" is closely linked with the coming revolution in the rest of Latin America. "The fight of all peoples is also our responsibility," he maintained, "and it is part of our daily preoccupation." (SECRET KIMBO)

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The Communist World

SOVIET STANDDOWN ON BERLIN AUTOBAHN HARASSMENT

Moscow apparently has decided to refrain from harassing Allied convoys on the Berlin autobahn, at least for the time being. On 21 November the USSR replied to the Western notes of 6 November which protested the detention of the US convoy on 4-5 November. The main purpose of the reply was to restate for the public record the Soviet claim that the June 1945 agreement between the Soviet and Western commanders in Germany gave the USSR the right to exercise "protection, maintenance supervision, and control" on highways used by the Western garrisons in Berlin.

98 The Soviet note sought to strengthen this claim by stating that the "harmonized procedures" conveyed by the Western powers on 29 October "are in no degree valid for Soviet military authorities." Moscow denied that American authorities have any right to establish the obligations and "manner of operation" of Soviet checkpoint officials.

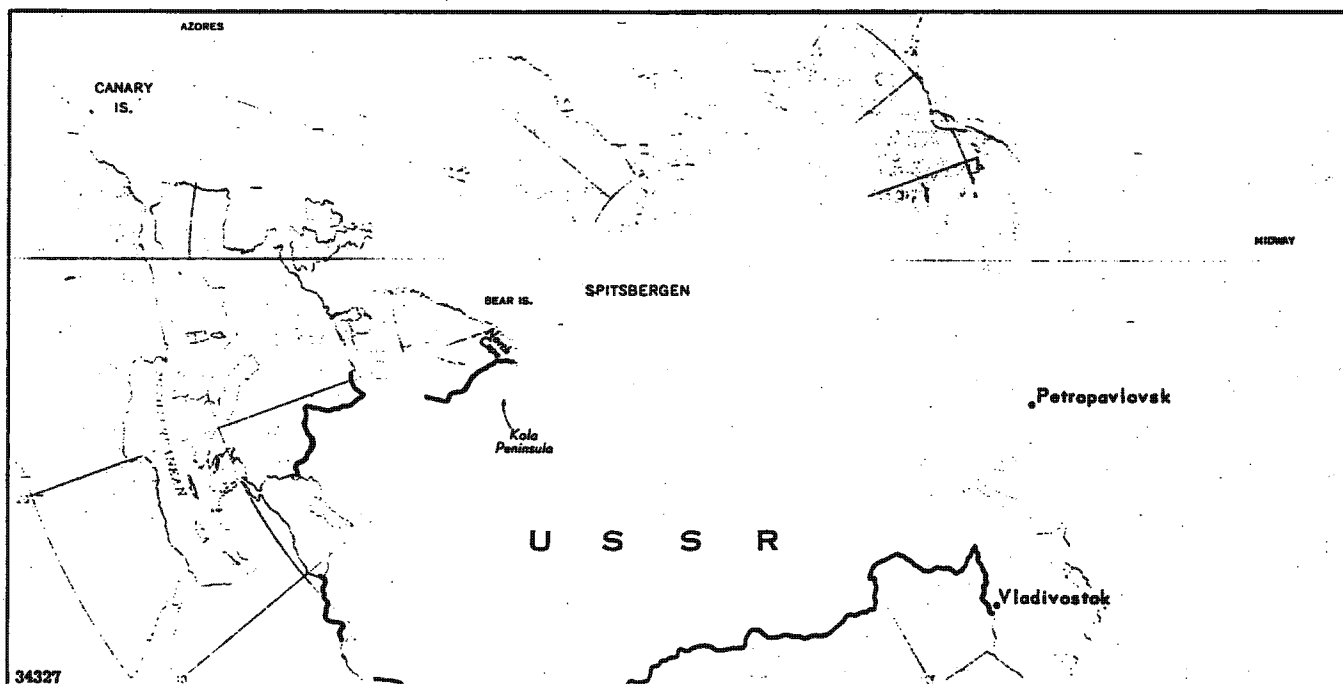
The note reflected Moscow's sensitivity to the point made in the Western notes contrasting the detention of the US convoy with the normal processing accorded closely similar British and French convoys on 5 November which also refused to dismount. Moscow took refuge in the pretense that these latter convoys were not challenged because they observed existing procedures and "presented their personnel for

checking," whereas the US convoy was detained until it agreed to "go through the same check."

The passage since the 4-5 November incident of five convoys of a size which are nondismountable under Allied procedures, the 16 November Soviet statement on access procedures, and Moscow's 21 November note all suggest that Moscow has decided to accept a standoff in the autobahn dispute for the present. The Soviet procedures marked a clear retreat from earlier extreme demands that all personnel in convoys of more than five vehicles are obliged to dismount. Although the Soviet procedures are not identical to the Western "harmonized procedures," the differences are not great enough in themselves to give rise to further incidents. The Soviet rules seem to provide Moscow with a practical working arrangement not inconsistent with normal Western convoy practices.

In light of the failure to divide the Allies on the access issue and the repercussions of the Barghoorn case, the Soviet leaders probably decided this was not an opportune time to propose formal negotiations. Their efforts to establish an exclusive right to control autobahn traffic, however, suggest that the Russians will revive this issue whenever they feel the situation is ripe for another attempt to bring the West into a new round of Berlin negotiations. (SECRET NO FOREIGN DISSEM)

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The Communist World

SOVIET NUCLEAR SUBMARINE PATROLS

On about 16 November a Soviet E-class nuclear-powered submarine, equipped with cruise missiles, completed a 41-day patrol in the northern Pacific. This voyage, the first known out-of-area mission by any of the USSR's nuclear missile submarines, may presage their regular use on patrols in the Atlantic and Pacific Oceans.

98 The first Soviet nuclear submarine was probably completed in 1958, and some 30 nuclear-powered units have since been placed in service. Until recently, these seldom left home waters, perhaps with good reason. There are numerous reports of troubles with ventilation and propulsion systems.

Since June of this year, however, there have been several long-range nuclear submarine operations, culminating in the Pacific cruise. This suggests that technical problems have generally been ironed out and that the submarines, or at least some of them, now have become fully operational.

These operations included a five-week voyage by an E-class

submarine from Vladivostok to Petropavlovsk in July and August, which apparently simulated an out-of-area cruise although the submarine probably never left Soviet waters. From late July to early September an unusual deployment of auxiliaries, including submarine support ships, to an area near the Canary Islands may have been in support of a nuclear submarine mission into the Atlantic. There is also some tenuous evidence that, during the same period, Northern Fleet H-class and N-class nuclear submarines may have participated in an interfleet exercise in the Norwegian Sea and northeast Atlantic.

In early September an N-class torpedo-attack submarine of the Northern Fleet left the Kola Inlet, transited polar seas, and arrived at Petropavlovsk some 15 days later. Another N-class submarine apparently carried out a polar operation in late September and early October which may have included the circumnavigation of the Spitsbergen Islands.

The only extended operations by Soviet nuclear submarines noted earlier were four probable under-ice cruises near Spitsbergen and some N-class submarine participation in the 1962 summer interfleet exercise in the Atlantic and Norwegian Sea. (TOP SECRET DINAR)

SOVIET NUCLEAR SUBMARINE ORDER OF BATTLE

	Northern Fleet	Pacific Fleet	Totals
N-class (Torpedo Attack)	11	1	12
H-class (Ballistic Missile)	12		12
E-class (Cruise Missile)		6	6
Totals	23	7	30

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The Communist World

EASTERN EUROPE PREPARES FOR HARD WINTER

Eastern Europe is making plans to prevent a recurrence of the widespread discontent and the serious dislocations in some sectors of the economy which resulted from last year's severe winter. The fuel, power, and construction industries and the railroads were the hardest hit, and although a repetition of last year's weather conditions would be unusual, it is primarily in these sectors that preparations are being made. While there are signs that the other Communist regimes are making similar plans, the most detailed information is available on East Germany's preparations.

98 The East German regime has already warned that electric production capacity again this winter will be inadequate to meet demands of all consumers. The shortfall results from growing industrial use of electricity, delays in completion of new generating capacity, and the low water level available for power generation. The regime on 30 September published an urgent appeal to save electricity. It was followed a month later by announcement of a "competition" for "power thrift." Throughout industry power consumption norms are being established. Production during night shifts is being increased to make more efficient use of the hours when power consumption is normally at a minimum.

In the coal industry, the East Germans have made an exceptional effort to increase production and have succeeded in raising coal reserves in industry by 5 percent since last autumn. Measures also have been taken to prevent freezing of coal loaded in open rail cars and of rail switches at the mines,

which posed major problems last winter. The transport of coal has been given priority over transport of other items on the railroad.

East Germany is easing the burdens on its railroads by continued transfer of short-distance hauling from the railroads to trucks. New schedules for continuous loading and unloading of trains and trucks were instituted on 1 October.

Production in high-fuel-consumption industries such as steel and ceramics reportedly will be curtailed or halted as required. About 60,000 workers would be affected by such drastic measures.

Czechoslovakia also has warned that electric power output will be insufficient to meet all needs this winter, largely for the same reasons as in East Germany. The Czechs began instituting measures to save power as early as mid-August, and preparations at power plants were to be completed by the end of October.

Both Poland and Hungary apparently are concerned with ensuring adequate coal supplies for the domestic market. The chief of Poland's coal exporting agency has said that the country this year will export to nonbloc countries one million tons less than last year. This move, along with greater coal production, will increase supplies for the domestic market.

Hungary has announced that coal production will exceed the planned level by one million tons as a result of overtime work, and that imports of coal will be 1.2 million tons above plan. (SECRET KIMBO NO FOREIGN DISSEM)

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The Communist World

PEIPING'S ECONOMIC RELATIONS WITH NON-COMMUNIST ASIA

Communist China's economic activities in the countries of non-Communist Asia now are recovering from the setback they suffered in 1960 following the failure of the "leap forward."

Peiping's 1963 trade with most of these countries appears to be above last year's, so the Chinese probably will earn more from their Asian trade this year than they have in the recent past. These earnings will again be used chiefly to finance imports of Western grain--which presumably will continue at about last year's level.

China's net export earnings from trade with Hong Kong, its largest source of free world currency, are up about 25 percent over 1962 and are running at an annual rate of about \$250 million. China's favorable trade balance with Malaysia may reach about \$80 million this year, about 10 percent over the level achieved last year with the members of the new federation. Sino-Japanese trade is currently at an annual rate of slightly over \$100 million--up from \$84 million last year.

China's economic aid projects in the non-Communist Far East have been implemented slowly in the last few years. Such activities are expected to remain at a moderate level as long as China's attention is riveted on earning foreign exchange to buy grain.

The Chinese may, however, be willing to provide additional economic assistance to Cambodia which so far has utilized about 60 percent of a total of \$50 million in Chinese grants. Peiping responded favorably although cautiously to overtures from Prince Sihanouk after his announcement of Cambodia's decision to end the US aid program. Earlier good-will gestures included Liu Shao-chi's visit to Cambodia last May, followed by a trip to China by a Cambodian bank delegation. Recently Chinese technicians arrived in Cambodia to survey prospects for construction of a glass factory to be financed under a 1960 grant.

A Chinese delegation this month arrived in Djakarta to discuss implementation of a \$30-million credit extended in 1961 for a textile plant. Peiping recently agreed to provide Ceylon with textile plants and equipment under their \$16-million aid pact signed in 1957.

Peiping's largest single economic aid pact--an \$84-million credit extended to Burma in 1961--has been drawn down by only about \$2 million. Burma, however, has recently accepted a Chinese offer to build two bridges in northern Burma, and there are indications that formal approval of other Chinese aid projects will be forthcoming in the near future. (SECRET NO FOREIGN DISSEM)

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Asia-Africa

JAPANESE ELECTION OUTCOME

95

The Japanese general election on 21 November was characterized by a paucity of real issues and a low voter turnout. It brought no significant shift in the balance between the ruling Liberal Democratic Party (LDP) and the leftist opposition.

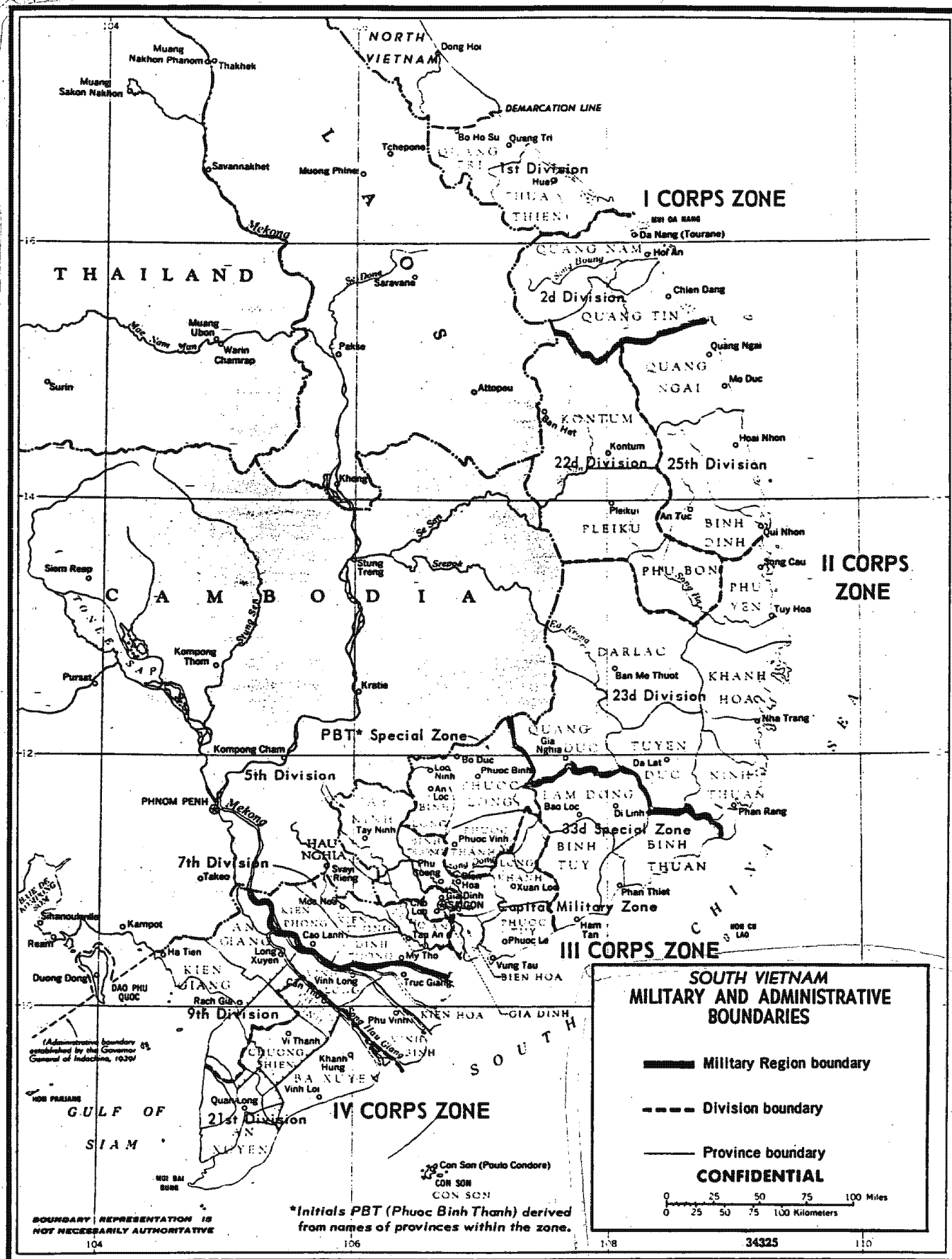
The LDP won 283 seats and is expected to pick up most of the 12 conservative "independents." Adherence by all of these nevertheless would leave the LDP still seven seats short of the position it held after the 1960 elections.

On the left, the important feature was the failure of the Japan Socialist Party (JSP) to gain, while the more moderate Democratic Socialist Party (DSP) obtained six more seats than it won in 1960. The Japan Communist Party (JCP) now holds five seats, a gain of two over its 1960 performance.

The voter's support of the LDP suggests that the electorate is generally satisfied with conditions and progress under the Ikeda government. The LDP's victory falls short, however,

of assuring Ikeda a third term as party president or of strengthening his position within the party. Intensification of internal rivalries for position within the party is certain until precedences among the faction leaders can be hammered out. Actual damage to the party and to Ikeda's position nevertheless will probably be offset by the fact that the lost seats for the most part went to the DSP, while the JSP, the real enemy, was defeated.

A period of critical self-examination and possible changes of leadership clearly are in store for the JSP. Its net loss of one seat in the face of gains by its DSP and JCP rivals may have seriously damaged its carefully self-contrived image as the leftist "wave of the future," destined to control the government by 1970. Loss of extreme left-wing support to the JCP may be attributed to the confrontation of the JSP and JCP over the nuclear test ban treaty and to the JCP's pro-Chinese stand. The JSP's failure to reform internally may have influenced some voters to shift to the DSP. (CONFIDENTIAL)



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Asia-Africa

HIGH LEVEL OF VIET CONG ACTIVITY IN SOUTH VIETNAM

Communist military activity in South Vietnam has continued at an unusually high tempo in the three weeks since the coup in Saigon. Despite some slackening of the pace, the greater effectiveness of the attacks and their spread to new areas will increase pressure on the country's new military rulers to produce some dramatic achievement to sustain the psychological lift generated by their takeover.

98 In the week ending 18 November, Viet Cong attacks dropped to 149 from the previous week's all-time high of 233, but were still 50 percent above the average level set over the past year. A number of actions on 24 November emphasized the boldness of the Viet Cong offensive. A battalion-size attack overran a Special Forces training camp about 25 miles north of Saigon, causing heavy losses among both government troops and US advisers. Ground fire damaged several government aircraft operating in the southernmost provinces. Near the Laotian border in the central highlands province of Kontum, two strategic hamlets were attacked.

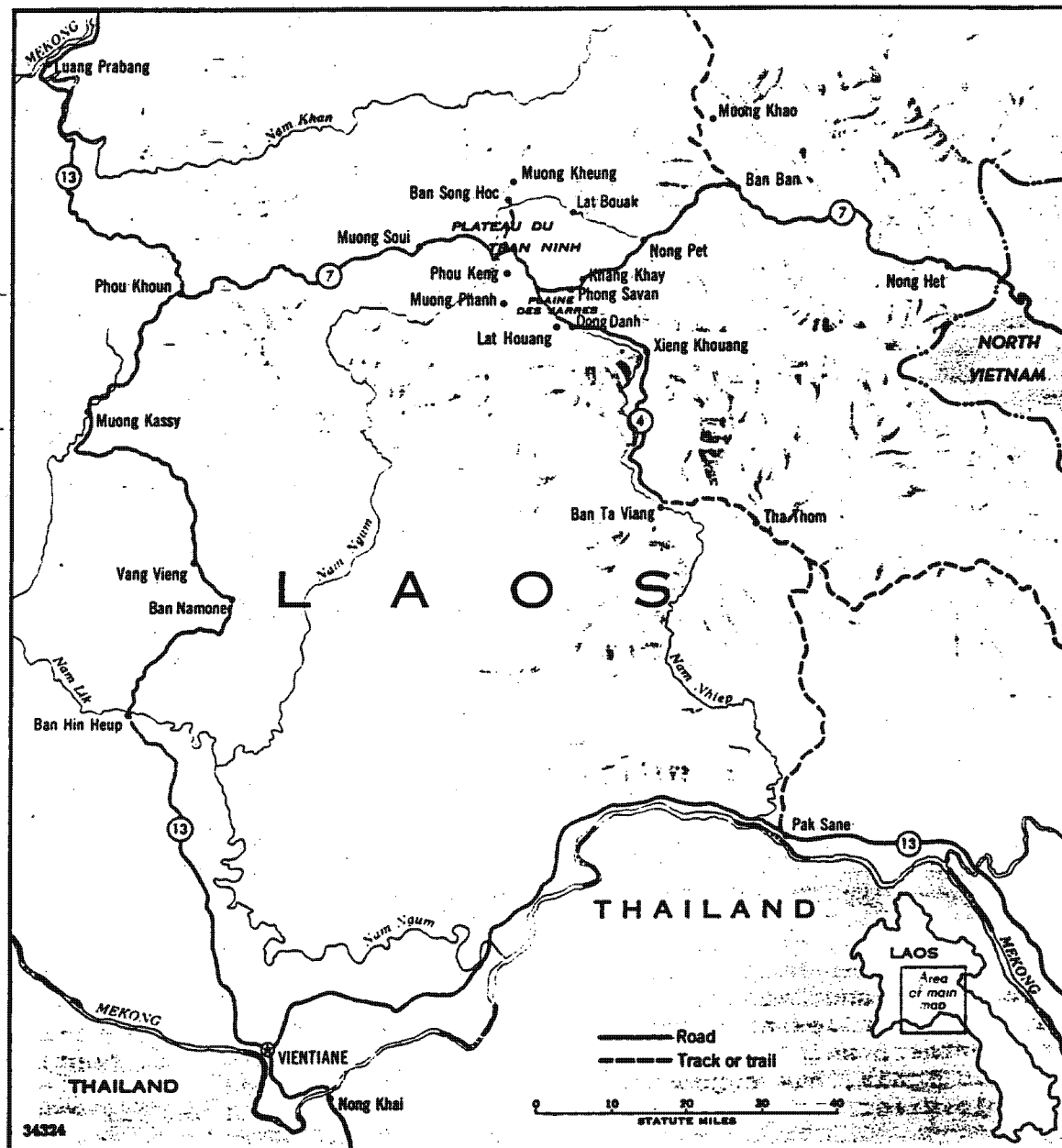
In the delta, along the area of the heaviest Communist activity, a recent concentration of attacks in Dinh Tuong Province, just southwest of Saigon, and to a lesser extent in its northern neighbors Long An and Hau Nghia, has suggested a possible effort to secure a

corridor between the Communist war zone adjacent to Cambodia in Tay Ninh Province, and strongholds farther south in the delta. The Kontum attacks, however, suggest a step-up may now be under way in northern South Vietnam. A heavy volume of communications traffic was directed to this general area by North Vietnam's military high command from 15 November through at least 21 November.

South Vietnam's military leaders are aware of the need to move rapidly in pressing the war against the Viet Cong. They are continuing to try to strengthen intelligence functions, and reportedly plan to reshuffle commanders in the I and II Corps Zones in the north. They have already named vigorous new commanders in the III and IV Corps Zones, but reportedly have not yet succeeded in getting ambitious General Dinh, the new security minister, to relinquish control of the III Corps Zone, which surrounds Saigon. Dinh, whose political intentions remain a concern of the junta, is also stating that he hopes to keep the strategic hamlet program under his ministry.

Meanwhile, the generals are getting little active help from civilian politicians, and remain under pressure from various urban groups to continue weeding out the traces of the Diem regime. (TOP SECRET DINAR NO FOREIGN DISSEM)

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Asia-Africa

AREA NOTE

95

Laos: A widening breach appears to be developing between the Souvanna government in Laos and the Communist Pathet Lao. Further talks on the Plaine des Jarres between Kong Le, chief of Souvanna's military forces, and Pathet Lao commander Singkapo have been jeopardized by an exchange of allegations of bad faith. The particular attitudes and intentions of Premier Souvanna and of the Pathet Lao strategists remain obscure.

In the military field, the initiative rests for the moment with the government. A well-coordinated clearing action launched north of Vientiane on 21 November by forces under Kong Le and rightist General Phoumi, along with Meo guerrilla elements, has met with considerable success. The government forces have secured

Vang Vieng and its airfield--long held by the Pathet Lao--and also have pushed enemy elements from Ban Namone, farther south on the main road. Although an earlier push by a similar combination of government forces in the Plaine des Jarres area did not attain comparable successes, the Pathet Lao position at Xieng Khouang town remains under heavy threat.

Communist reaction to these developments thus far has been limited to propaganda warnings. However, there are unconfirmed reports of North Vietnamese troop reinforcements in the Plaine des Jarres, and irregularities noted since mid-November on the Hanoi-controlled military net in Laos could indicate a change in disposition or strength of Communist forces in Laos. (TOP SECRET DINAR NO FOREIGN DISSEM)

SYRIAN AND IRAQI REGIMES TRYING TO STABILIZE

95

The stability of the regimes in Iraq and Syria is still uncertain in the wake of the army coup in Iraq. This in turn leaves unsettled the status of future relationships between these two countries as well as between them and Egypt.

In Iraq, two ministers have threatened to resign unless the new government adopts a firm stand regarding union with Egypt, according to an intercepted

Egyptian message from Baghdad. Also unhappy are a number of non-Baathist army officers who oppose the retention of several Baathists in the cabinet, and President Arif may have some difficulty in holding together the disparate army elements who carried out the coup. A meeting to elect a National Revolutionary Council--on paper the country's highest organ--adjourned without reaching a decision when disputes proved insuperable.

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Asia-Africa

Statements by Iraqi regime spokesmen, however, have continued to be conciliatory to the Baath. They have reiterated that the coup was not directed toward any party, and Premier Tahir Yahya has said that the new government will continue the previous regime's policies.

98 In Syria, the Baathist regime is split between moderates who want to broaden the regime's power base and a doctrinaire faction that wishes to keep the government under exclusively Baathist control. The doctrinaire faction feels that several statements made by Premier Hafiz since he returned from Baghdad (where he was caught at the outbreak of the coup) are conciliatory to non-Baathist elements and reflect his personal opinions rather than party decisions. This dissension within the Baath may affect the government's ability to protect itself against anti-Baath coup plotters who have been heartened by events in Iraq.

In an effort to moderate the initially violent Syrian reaction against the coup in Baghdad, Hafiz had in fact endorsed the Iraqi Army's move against the national guard, the Iraqi Baath Party's paramilitary arm. He also praised President Arif as a "brave Arab soldier" and claimed that the coup was staged by "Baathist elements." The Iraqi regime for its part has proclaimed that military union with Syria remains in force and that a new commander of the joint armies

will be announced shortly. Syrian troops fighting in northern Iraq will evidently remain there, but a small Syrian unit stationed near Baghdad is being withdrawn.

The Syrians have also agreed to expel Iraqi Baathist extremist Ali Saleh Saadi after a message from Iraq protested that his presence in Damascus violated an agreement--presumably made by the new Iraqi leaders with Hafiz and other Syrian Baathists. Saadi had arrived in Syria unannounced following a short exile in Madrid.

While Cairo propaganda continues to call for a coup in Syria similar to that in Iraq the Egyptians appear to be growing disillusioned over the course of events in Iraq. Intercepted Egyptian messages from Baghdad express considerable concern with the inclusion of Baathists in the new cabinet and with the course President Arif appears to be following. The messages complain that no pro-Egyptian nationalist party is represented in the cabinet and that Arif is an opportunist. The Egyptians in Baghdad have advised Cairo radio to "expose" Arif. Cairo papers have backed off somewhat from their all-out support of the Iraqi coup since the announcement of the composition of the new cabinet. (TOP SECRET DINAR NO FOREIGN DISSEM)

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Asia-Africa

CONGOLESE EXPEL SOVIET DIPLOMATS

Congolese Premier Adoula last week declared all Soviet Embassy personnel in Leopoldville persona non grata. Adoula's move followed the arrest on 19 November of two Soviet diplomats found carrying documents showing the Soviets to be giving financial assistance and encouragement to a group of radical anti-Adoula exiles across the Congo River in Brazzaville. All of the Soviet staff reportedly had departed by 23 November.

98 The premier charged that the captured documents proved "unquestionably" the collusion of the Soviet Embassy with the leftist "committee of national liberation" in Brazzaville. He did not however, break diplomatic relations with the Soviet Union and has stated that he will consider the appointment of a new ambassador. Although Moscow has bitterly protested the expulsion of its officials, it has indicated an intention to replace them rather than retaliate against the Congo.

No action has been taken against the Leopoldville missions of three other Soviet bloc countries--Czechoslovakia, Poland, and Bulgaria. Adoula earlier planned to expel both the Soviet and Czech missions, and for at least a month the Congolese have been debating some action to curb antigovernment activities by all the Soviet bloc missions. Soviet bloc representatives have long been in contact with dissident Congolese groups, and their activity appears to reflect routine clandestine contacts and financial aid rather than Soviet backing of any imminent coup attempt.

The Congolese exiles in Brazzaville consist of perhaps 50 anti-Adoula politicians and soldiers,

adherents of the imprisoned Antoine Gizenga and the late Premier Patrice Lumumba. They fled to Brazzaville following Adoula's closing of parliament in late September. Led by former Lumumbist Vice Premier Christophe Ghenye, they have been able to operate fairly freely in the Brazzaville Congo's present confused atmosphere under the shaky provisional regime of Massamba-Debat. They have declared themselves a "committee of national liberation" for the Leopoldville Congo and are trying to convey the impression that they constitute a "government-in-exile."

The captured documents reveal considerable infighting and confusion on tactics within the group. The exiles nevertheless have been pressing for foreign support, arms, and funds, are trying to establish an organization inside the Leopoldville Congo, and hope to subvert its army. They reportedly plan also to try to assassinate leaders of its government. Their successes and capabilities presently seem limited, but their activities may well lead to further friction between the Leopoldville and Brazzaville regimes.

Katanga's ex-President Tshombé, still in exile in Barcelona, has again appealed to Adoula to permit him to return soon to the Congo. The Leopoldville government apparently still opposes Tshombé's return, and his bid for a high government post has been rejected.

Tshombé's recent promise to collaborate with the Leopoldville government in the 1964 parliamentary elections appears to be having some appeal, however. Tshombé says he has decided to return soon, but has indicated he will await assurances for his personal safety from the central government. (SECRET NO FOREIGN DISSEM)

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Asia-Africa

MALAISE IN MALI

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Mali's leftist government is facing increasingly urgent economic and political problems at a time when President Modibo Keita's efforts to mediate the Moroccan-Algerian dispute have raised his standing to a new high elsewhere in Africa. In the face of mounting criticism from politicians with strong local power bases and from young government functionaries, Keita is devoting major attention to defending his party's hegemony. He must also contend with dissidence among nomadic tribesmen and with a desperate foreign exchange shortage.

The key problem probably is that of foreign exchange. The government brought most of its troubles on itself a year and a half ago when, in a fit of excessive Marxist-flavored anticolonialism, it in effect cut itself off from automatic access to the French foreign exchange reserves and set up a Malian currency. Since then a steady adverse trade balance has cut into the country's own meager reserves, and by mid-November they had fallen to an estimated \$1 million. The government's budget deficit is running about \$14 million annually. France reluctantly bailed the Malians out once before with a stopgap dole, but it may be unwilling to do so again. The bloc has consistently refused to extend budgetary assistance, although it has provided development credits amounting to \$67.5 million.

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Doctrinaire rigidity has helped to make ineffective the government's efforts to alleviate this situation. Whereas Guinea's Sekou Touré has recently retreated from "African socialism" when faced with an even worse situation, Keita and his associates have been reluctant to curtail the activities of such consistent money-losers as the state trading company and the state airline.

This evidence of ineffectiveness has brought to the surface dissatisfaction among local politicians whom Keita has never succeeded in bringing under close control of his Soudanese Union Party. These local figures, who generally occupy the conservative end of the spectrum, seem to control the National Assembly. They also have at least some influential spokesmen both in the party's political bureau and in the executive branch of the government, especially among elements desiring a pragmatic approach to Mali's problems.

At the same time, Keita is faced with active defiance of the regime's authority on the part of Tuareg nomads in the country's northern deserts. Half of the army reportedly now is deployed in an effort, so far unsuccessful, to halt raids by these tribesmen. Keita himself has spent most of this month in outlying areas, trying to re-establish party control over potential and actual centers of dissidence. (CONFIDENTIAL)

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Europe

THE DE GAULLE - ERHARD TALKS

The 21-22 November talks between Charles de Gaulle and Ludwig Erhard seem to have established a good working relationship and clarified aspects of France's and West Germany's national policies, but produced few decisions.

95 De Gaulle reportedly encouraged Erhard to take some initiative toward a politically united Europe, and Erhard responded that he would give the matter sympathetic consideration. In his public statements, however, Erhard again made it plain that he favored a Europe rooted in an Atlantic community rather than the French-led third force which De Gaulle envisages.

On defense questions, the new German chancellor and the veteran French chief of state "agreed to disagree." De Gaulle reportedly lectured Erhard on the Gaullist view that France cannot depend on the US but rather needs its own nuclear force, while Erhard publicly reaffirmed Germany's trust in the protective shield of US military power. Neither leader disparaged the other's position, however, and De Gaulle is said to have assured Erhard that France has no intention of forcing Bonn to choose between Paris and Washington.

On the divisive and politically treacherous issue of agricultural integration in the

Common Market, some slight progress was made. Neither leader appeared prepared as yet to accept the Mansholt plan whereby a single community grain price would be set between the high German level and the lower French level, but, according to a German observer, they agreed that the proposal offered a good working basis. Implicit in the relaxed atmosphere was the suggestion that De Gaulle now is willing to discuss the grain issue beyond the year-end deadline he had previously set for final agreement on EEC agricultural policy.

It was agreed, moreover, that EEC arrangements for beef, dairy products, and rice be completed by the end of December. In addition, the communiqué issued at the close of the talks looked forward to the successful conclusion of the negotiations envisaged by the US Trade Expansion Act.

Erhard and De Gaulle throughout the talks apparently maintained an air of cordiality, but Erhard demonstrated that he was neither so innately sympathetic to De Gaulle's views as was Konrad Adenauer nor so willing to play a secondary role. Thus Erhard may have served notice that a somewhat sterner era for Franco-German relationships has arrived.
(SECRET NO FOREIGN DISSEM)

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Europe

WESTERN EUROPE'S STEEL PROBLEM

The Council of the European Coal-Steel Community (CSC) is meeting on 2 December to deal with the problems that afflict the continental steel industry. The session promises to have far-reaching implications for the CSC's future as well as for the eventual outcome of international tariff negotiations that are set for next spring.

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The steel industry in the Six now is running about 20 percent below capacity. Moreover, steel manufacturers have, in recent months, suffered from reductions in price that have taken place both inside and outside the community. During the past year, CSC officials have advanced several possible solutions to the problem--including the promotion of both official or private agreements with foreign producers to limit their exports--but none of these has proved effective.

More recently, the CSC has been increasingly attracted to the idea of raising tariffs, but so far has not received solid backing from the member states for such a move. The Council has also been put on notice by the US that a tariff hike on an item so important as steel would have grave political and psychological consequences on the forthcoming tariff negotiations.

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However, pressure for a steel tariff hike or some other restrictive action again seems to be building up. The latest word from Paris, for example, indicates that the French Government may have re-

versed its position and now will support a tariff rise that was proposed by Bonn three months ago. If Paris and Bonn see eye to eye on this, it is probable that their tariffs will go up to 9 percent--the present level in Italy. A restriction on trade would primarily affect Japan, Austria, and the UK, since the CSC already has strict quotas on imports from the bloc.

The political importance of the steel tariff question to the CSC has been generally recognized in the community. President Del Bo has intimated to US officials that unless the CSC can produce a Community-wide solution to the challenge, the CSC's very existence will be threatened.

The CSC's failure to produce a solution to date, however, is indicative of its declining power and prestige. Its governing body, the High Authority, has, in theory, more power than its counterpart in the Common Market. But this authority has sharply deteriorated because of its failure to exercise its powers and the appointment of mediocre personnel to its staff. This deterioration began in 1958 when, under very similar circumstances, the High Authority was unable to produce a solution to the then serious glut in coal. Should the member states resort to unilateral solution to the present problems in steel, there would be little left of the CSC--the first and most supranational of the three European communities. (CONFIDENTIAL NO FOREIGN DISSEM)

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AREA NOTES

Europe

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Italy: Leaders of Italy's four coalition parties reached agreement over the week end on the proposed program for a center-left government and submitted it to their parties' national executive committees for approval. Ratification by Pietro Nenni's Italian Socialist Party is complicated by an intransigent group of 10 of the 32 left-wingers among the party's 87 parliamentary deputies. A party spokesman told US Embassy officials that Nenni was willing to risk a split

in the party to go along with the accord.

Negotiations over appointments to the cabinet have proceeded with some degree of urgency. There was general agreement that the Christian Democrats would retain the defense portfolio, as well as the Ministry of Interior, which controls the police. The question of ex-Premier Amintore Fanfani's participation has been one stumbling block. (CONFIDENTIAL NO FOREIGN DISSEM)

Western Hemisphere

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Brazil: Recently published statements by President Goulart have added to the widespread unrest in Brazil and increased speculation that he is planning to establish an authoritarian regime. In an interview with the Brazilian weekly Manchete, published on 20 November, Goulart declared that he had no doubt Brazil's rampant inflation will push the country "inevitably to bankruptcy" and a "social disaster of catastrophic proportions." He emphasized his lack of presidential powers to solve the present crisis.

Goulart's words have aroused sharp criticism from responsible political leaders and influential newspapers. Ranieri Mazzilli, president of the Chamber of Deputies and next in line for the presidency, expressed his suspicion of Goulart's motives to Ambassador Gordon and stated

that Brazilian democracy is experiencing its "gravest testing time" since the 1946 Constitution was adopted. The US Army attaché reports a growing concern among army officers that Goulart may attempt some extreme action during the next few weeks.

The additional unrest provoked by the President's comments has encouraged renewed plotting by rightist elements, such as the Marshal Odylio Denys group. It has also increased the chances of an illegal action by the opposition which Goulart could use as a pretext to assume greater powers. In any event, it is likely that political tension will remain high for the foreseeable future. (SECRET NO FOREIGN DISSEM/BACKGROUND USE ONLY)

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Western Hemisphere

AREA NOTE

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Venezuela: Communist terrorists can be expected to continue right up to election day their campaign to sabotage the voting in Venezuela on 1 December for a new president and congress. There is no reason, moreover, to believe they will turn from violence afterward.

The proficiency of the government security forces has been steadily improving, however, and more terrorists are being arrested each day. The Venezuelan armed forces continue to investigate reports of clandestine landings of weapons for terrorist forces, as well as airdrops of supplies inside Venezuela. The air force is laying plans to intercept future intruder flights.

With the security situation reasonably well in hand, there

is no question that the elections will be held on schedule. In addition, the prospects are that the voters will turn out in large numbers despite Communist efforts to intimidate them.

In any event, electioneering has continued apace, and most observers still consider Raul Leoni, heading the Democratic Action party's ticket, to be the likely winner by a small plurality.

The victor's biggest problem will be to pull together an effective coalition government. Leoni lacks the personal magnetism and political acumen of incumbent President Betancourt. Failure on Leoni's part to convince the military of his ability to handle the terrorist problem could encourage plotting for a coup d'etat. (TOP SECRET DINAR)

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