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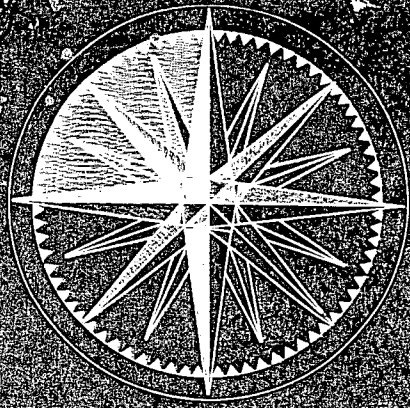
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27 December 1963

SC No. 00624/63
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WEEKLY REVIEW

OFFICE OF CURRENT INTELLIGENCE

CENTRAL INTELLIGENCE AGENCY

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C O N T E N T S

(Information as of 1200 EST, 26 December 1963)

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Willy Brandt has again taken the center of the political stage with the success of negotiations to open the Wall for the holiday season. He has been named acting chairman of the SPD.

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SOVIET TRADE ACTIVITY IN THE INDUSTRIAL WEST

Within a week after the central committee approved Khrushchev's plan for the chemical industry, Soviet traders apparently had their instructions and budget allocations and were renewing their activity in trade circles of the industrial West.

Contracts for fertilizer installations, plastics and synthetic plants, petrochemical equipment, and mining machinery are already in various stages of negotiation. JFK Act 6 (1) (B)

a proposal by a West German consortium to supply the USSR with \$400 million worth of petrochemical equipment. A Soviet mission is negotiating with the British Imperial Chemical Industry (ICI), which heretofore has supplied the USSR with technical know-how. ICI reportedly has offered to deliver equipment and processes for the production of fertilizers, herbicides, rubber chemicals, and plastics. Negotiations also are under way for large numbers of Japanese chemical fertilizer plants.

Another Western consortium, involving US equipment and processes, is discussing delivery of a large oil refinery. In addition, contracts for a wide range of other machinery and equipment will probably soon be signed. These contracts apparently had been postponed until the new chemical equipment buy-

ing program was presented to the plenum and allocations for various trade corporations for next year were approved.

The Soviet need for additional credit to finance planned expanded purchases is crucial. The USSR presumably can generate sufficient funds to meet down payments on sizable orders. However, credit arrangements must be set now to spread out the heavy crush of payments which otherwise would fall due in 1965-66 when equipment contracted for next year will be delivered. Soviet ability to increase hard-currency reserves is not likely to improve in the near future. Moscow's current grain imports will reduce its gold reserves by 25 percent. If these continue beyond mid-1964, the Soviet hard-currency position will be under further strain.

Despite the bleak foreign exchange prospects for the USSR, Soviet officials appear hopeful that Western competition for Soviet orders will be adequate to foster Western governmental and banking opinion favorable to more and longer term credit. Moscow may also hope that a continuation of its relatively restrained foreign policy will be helpful in this context. While viewing the USSR as an acceptable commercial risk, the banking community has heretofore been unwilling to extend credits beyond a five-year period because of uncertainty about future political developments. (SECRET)

CHINESE COMMUNIST LEADERS' AFRICAN TOUR

With two weeks of their projected two-month tour of Africa completed, Chou En-lai and Foreign Minister Chen Yi can claim high marks for their efforts to project an aura of Afro-Asian amity and to identify Peiping with African aspirations. There is no evidence, however, that they have scored any comparable success in the political or economic fields.

The joint communiqué issued on 21 December at the conclusion of the Chinese leaders' visit to Cairo contains few surprises, and reports from Algiers suggest that discussions with Ben Bella are following predictable lines. Thus far the Chinese have attempted to minimize differences, play up past contacts, and press such themes as militant struggle against colonialism and "US imperialism."

In both Algiers and Cairo, Chou's hosts sought to demonstrate their nonalignment by actions designed to play down the impact of the Chinese leaders' arrival. Chou was greeted in Cairo with a 21-gun salute, but Nasir was not on hand. In Algeria, Ben Bella was on hand to greet his guests, but the top-level delegation he sent to the Soviet Union just before Chou's arrival is receiving more publicity than the Chinese guests.

It has become increasingly apparent that a major objective of the trip has been to undercut Soviet influence throughout the

continent. Criticism of the USSR was reportedly a recurrent theme in Chou's four lengthy talks with Nasir. Nasir reportedly said that Chou talked about the USSR the way the Soviets used to talk about the US. He accused the Soviets of trying to colonize China, of breaking political and economic promises, and of becoming tools of the US, and he warned that any Afro-Asian country which became dependent on Moscow would suffer the same fate as Peiping.

In Algeria, Chou sounded a similar note. He cited China's early support for Algerian revolutionaries--support which actually pre-dated that of the USSR. He has also undoubtedly scored Soviet unreliability. The Chinese may be pressing the Algerians to use some of the \$50-million credit offered in October. This offer was made to counter a \$100-million Soviet credit offered earlier the same month.

Sino-Soviet rivalry for African support also flared at the UN, where Peiping outmaneuvered Moscow on the question of enlarging the representation in principal UN organs to accommodate the African bloc. Soviet delegate Fedorenko had attempted to make it appear that the Chinese were opposed to the African-sponsored expansion plan because they insisted that any change in the UN be tied to Peiping's own admission to the Security Council. The USSR found itself holding a suddenly emptied bag,

however, when Peiping loudly repudiated Fedorenko's statement and accused the Soviets of using the issue as a pretext for opposing Afro-Asian demands.

Chou can be expected to capitalize on this during next week's visit to Morocco and in subsequent stops in Guinea, Ghana, and Mali. No details of Chou's itinerary beyond Rabat have been made public by Peiping.

Such secrecy may well be prompted by security considerations. Chinese officials were apparently seriously shaken by the abortive plot to kill Liu Shao-chi in Cambodia last spring.

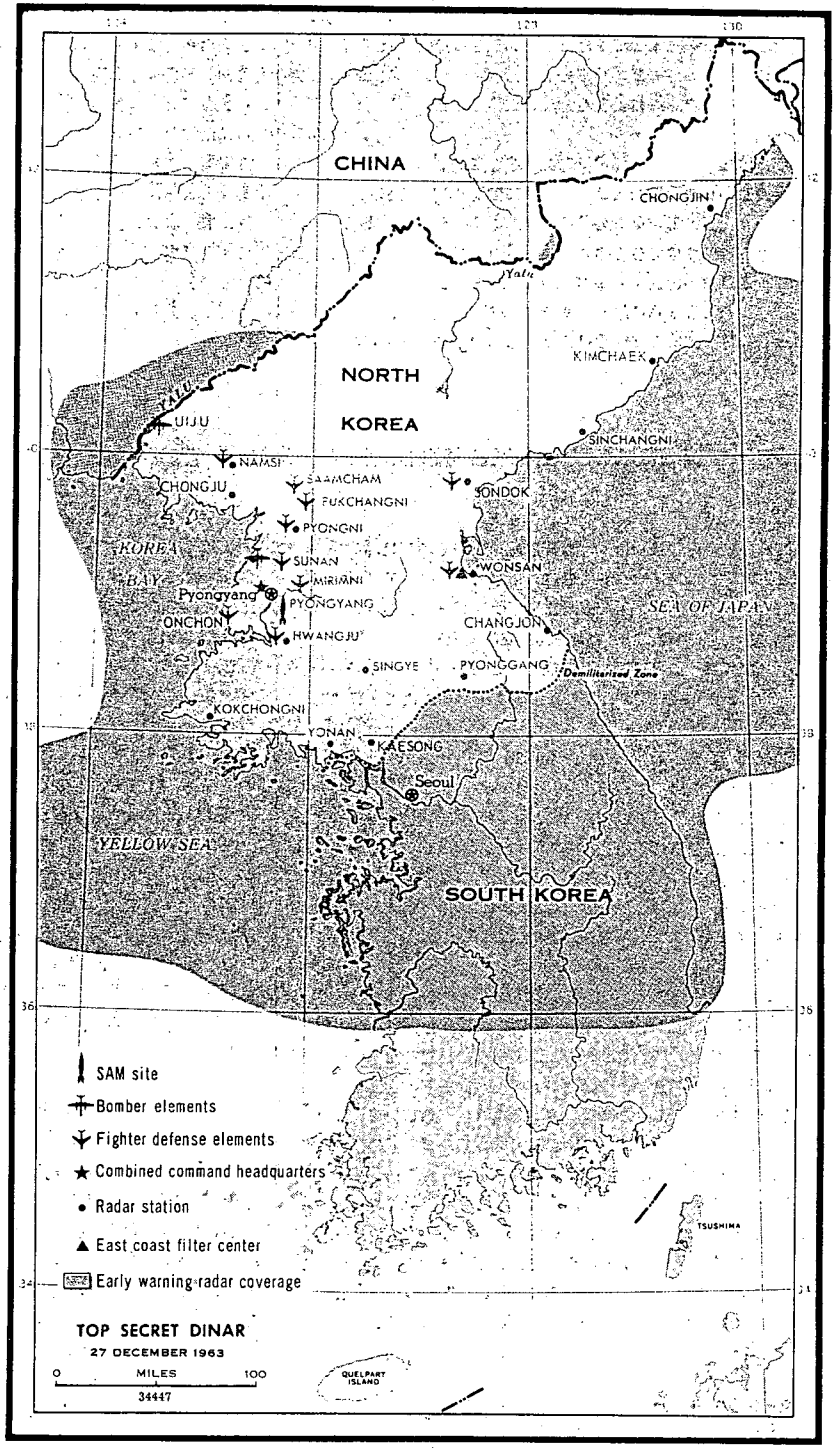
JFK Act-6 (1)(B)

EAST GERMAN REACTION TO RELAXATION OF BERLIN TRAVEL

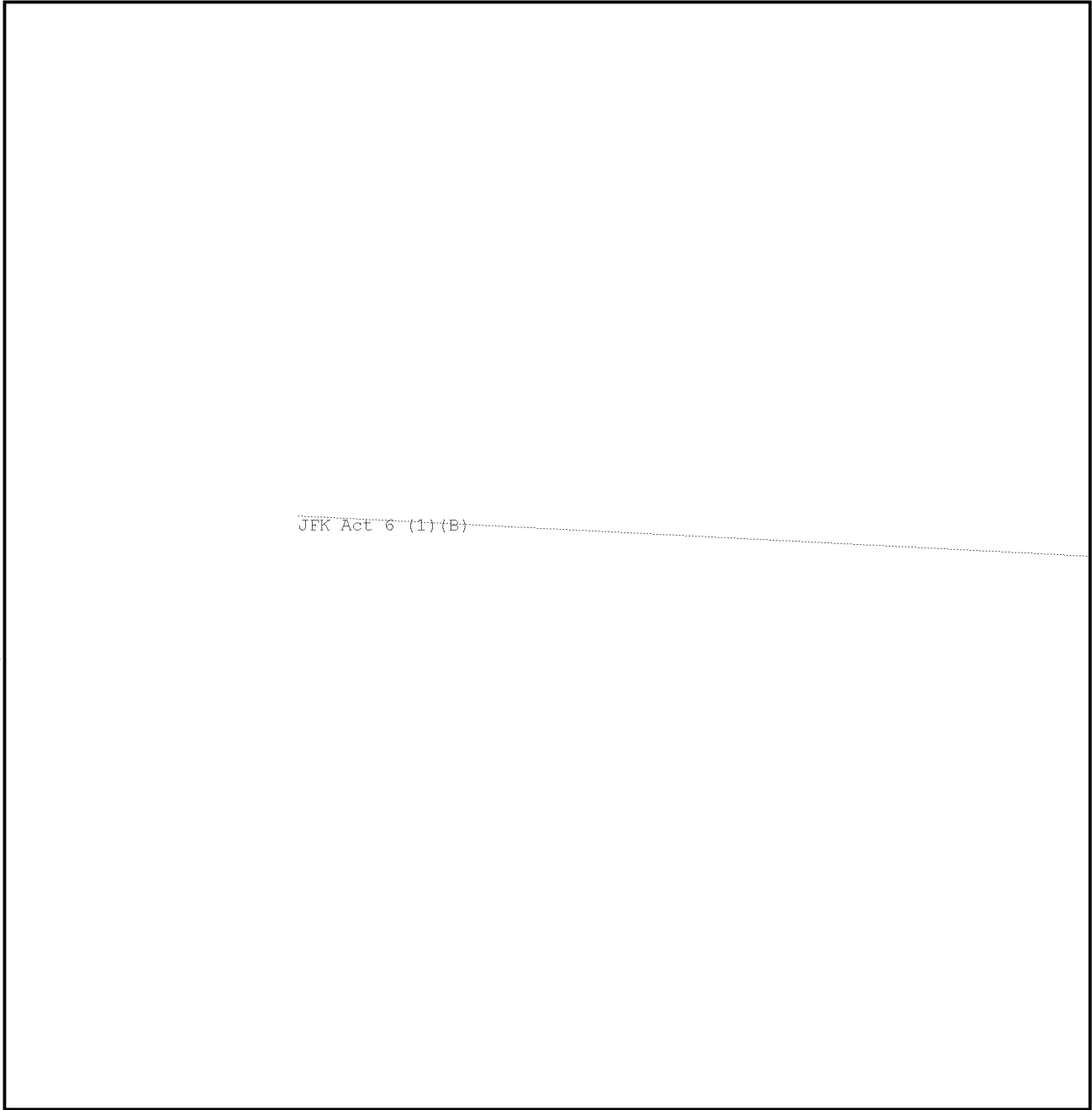
Reaction of East Germans to the agreement to let West Berliners visit relatives in East Berlin is hopeful but still fairly cautious, judging by re-

Public expression of dissatisfaction with harsh travel and internal controls has been recurrent in recent months, reaching a peak prior to the 20 October parliamentary elections.

The people's reaction to the pass agreement with West Berlin points up one of the regime's major problems: how to project an image of itself as a sovereign state and of East Berlin as its capital without increasing discontent among its population, who still risk shooting if they attempt to escape to West Berlin. (SECRET KIMBO)



NORTH KOREA IMPROVES AIR DEFENSE CAPABILITY



JFK Act 6 (1)(B)

ENTHUSIASM FOR SOUTH VIETNAM REGIME FLAGGING

Communist guerrilla activity increased only slightly in connection with the third anniversary, on 20 December, of the Viet Cong's Liberation Front, despite advance Communist propaganda exhortation for a major military effort. The Viet Cong continued to direct attacks and harassing activities primarily at strategic hamlets.

South Vietnam's new government is showing extreme sensitivity to discussion of a "neutralist solution" to its insurgency problem. The Communists' Liberation Front has repeatedly proposed such a settlement, and the idea is gaining new advocates as a result of Cambodia's call for an international conference. Saigon's military rulers last week closed down a newspaper which was expressing interest in neutralism. However, editorials in the vernacular press, even though attacking neutralism, have kept the debate in the public eye. On 20 December, Saigon students--possibly encouraged by the regime--demonstrated against neutralism.

On the military front, the government is beginning to take some steps to overcome the lethargy that has affected its counterinsurgency effort since the coup. A long-range pacification program has been launched in one of the most troublesome provinces in the northern part of the country, and broad command changes have been introduced in two provinces south of Saigon where security has been deteriorating.

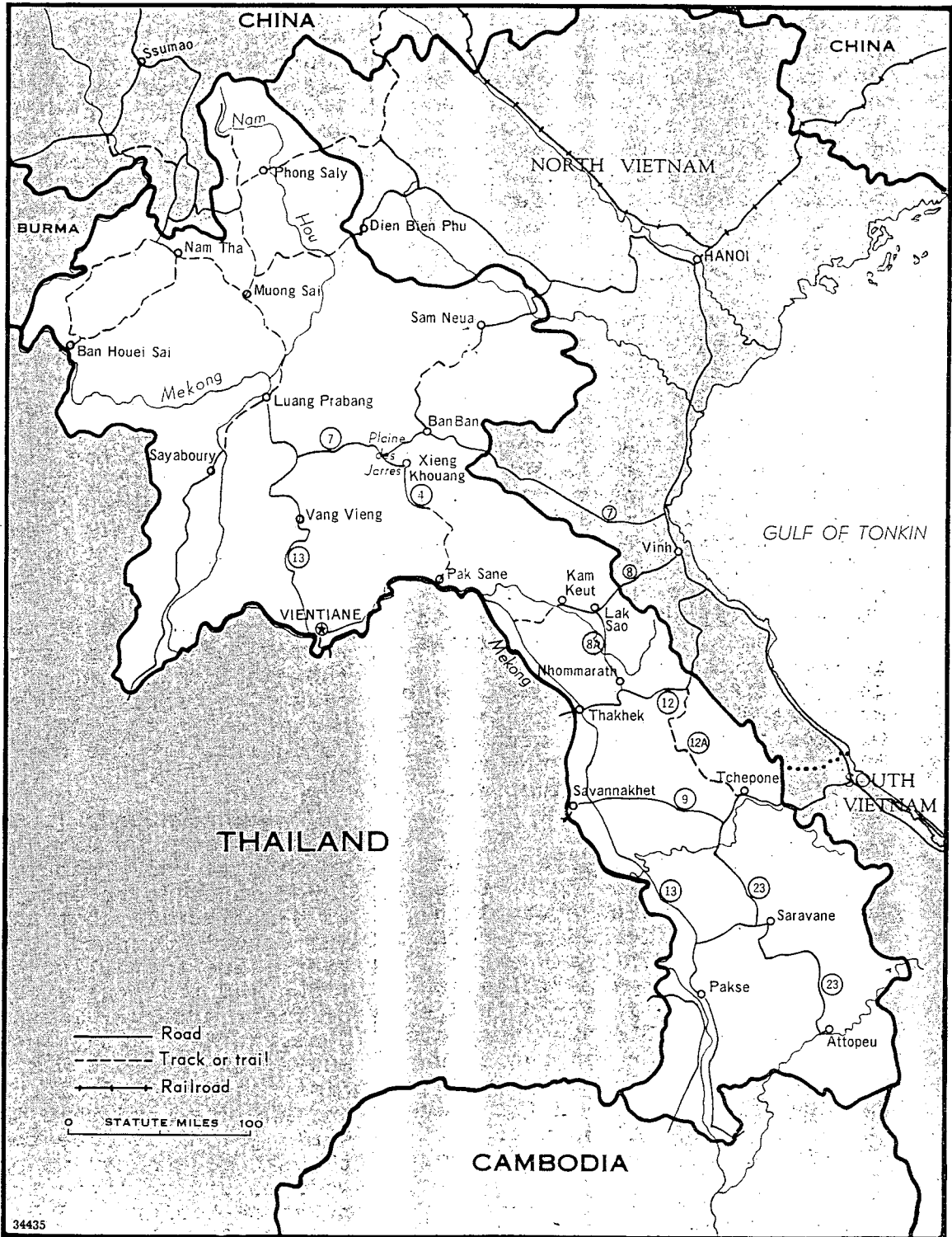
In the political field, the government has named 60

members of the civilian advisory Council of Notables. Returned exiles apparently are not represented, and there is a dearth of direct provincial representation. Many appointees, however, are prominent political, professional and lay religious leaders who could provide effective guidance to the regime if they are given a chance.

Apathy and disenchantment over the new government are widespread among such key elements as middle-grade officers, students and politicians. Criticism centers on the lack of firm direction by the ruling generals, on repeated reshuffling of local officials deemed incompetent, corrupt or close to the Diem regime, and on the rise in Viet Cong activity. There are signs that junta members themselves are beginning to share the disillusionment of some circles with Premier Tho's provisional cabinet, which is described as ineffective and regional in outlook.

Leading generals nevertheless seem to have few effective steps in mind to rally popular support. Three generals recently complained to US officials that they were having trouble finding qualified Vietnamese to fill government positions and that press criticism of their efforts was unhelpful. General "Big" Minh, the chief of state, has indicated a personal distaste for a prominent role, and has asserted that the people would gradually come to appreciate the new government as problems were solved on a province-by-province basis. (SECRET NO FOREIGN DISSEM/BACKGROUND USE ONLY)

LAOS



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LAOS

Communist forces have moved to erase recent gains made by rightist units in central Laos. Pathet Lao troops, reportedly supported by substantial numbers of North Vietnamese, on 19 December captured Kam Keut and the nearby airfield, three days after occupying the key route junction at Lak Sao. Right-wing messages have described a key rightist parabattalion as "completely smashed." Communist units have advanced south of Lak Sao toward neutralist positions along Route 8-A, but there have been no indications that they intend to press their advantage by a major drive on Nhommarath, which is still held by rightist forces. In other areas, there have been reports of only limited activity, involving scattered skirmishes and artillery exchanges.

Meanwhile, neutralist and Pathet Lao representatives are continuing their efforts to negotiate an easing of tensions between the two factions. At

a meeting on 20 December in the Plaine des Jarres, both sides called for an "early" meeting between Premier Souvanna and Prince Souphannouvong. They also agreed, in principle, that elements of the coalition government should be transferred from Vientiane to the royal capital at Luang Prabang, which would be neutralized and placed under tripartite control. Both factions reiterated their support for the formation of a mixed police force in a neutralized Vientiane.

General Phoumi's right-wing faction, which was not represented at the meeting, remains skeptical of Pathet Lao intentions. Phoumi apparently believes that an agreement for the neutralization of Luang Prabang is unlikely, but he may join in talks on the subject. He has indicated, however, that the neutralization of Vientiane is contingent on the willingness of the Pathet Lao to allow free movement in areas of Laos now under their control. (TOP SECRET DINAR)

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