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# CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY

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## PART I

OF IMMEDIATE INTEREST

## EAST-WEST RELATIONS

Moscow last week carried forward its attempts on several fronts to place the USSR in the most favorable position in forthcoming East-West negotiations. In his address to the Supreme Soviet on 14 January, Khrushchev continued his efforts to focus on disarmament as the major international issue and sought to reinforce an impression of Soviet readiness to take immediate radical steps to solve the problem.

The cut of one third in Soviet conventional forces proposed by Khrushchev would, if carried out, benefit the USSR in the following ways:

1) Reduce defense expenditures and allow proportionately more of Soviet resources to be put into economic development, which continues to be one of Khrushchev's major current objectives.

2) Adjust the armed forces to Khrushchev's concepts of Soviet military needs.

3) Add a substantial number to the labor force at a time when labor is in short supply as a result of the low birth rate during World War II.

4) Appear to lend substance to the USSR's disarmament campaign.

Khrushchev announced that the armed forces would be reduced by 1,200,000 men in the next few years, linking this reduction to the strong Soviet position in missile development. On missiles, he said, the USSR was several years ahead of other countries in the development and assembly-line production of intercontinental ballistic missiles of various types. Khrushchev stated the USSR had enough nuclear and atomic weapons to "literally obliterate" any opponent and the means to deliver them anywhere; he also said still more formidable weapons are under development.

Khrushchev repeated his earlier assessment of a general trend toward an easing of tensions and expressed hope for a successful meeting at the summit. For the first time he specifically listed a ban on nuclear tests as a topic for consideration by the heads of government and attempted to maintain pressure for an unconditional ban on all tests. Referring to Berlin, Khrushchev again held out his threat of a separate peace treaty with its "ensuing consequences" if efforts to solve the problem fail, but avoided linking this move to the outcome of the May summit meeting.

Moscow has also sought in the past week to support its public contention of a gradual

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improvement in East-West relations with ostentatious public gestures to Western leaders. Khrushchev's cordial personal messages to Presidents Eisenhower and De Gaulle were intended as further evidence of the USSR's desire for fruitful negotiations. In delivering the messages, both Soviet ambassadors pointedly referred to the forthcoming personal contacts during Khrushchev's visit to France and the President's visit to the USSR.

Soviet Ambassador Menshikov also struck an optimistic tone in his remarks to the press on opening the negotiations on a settlement of the lend-lease question. He stressed that a "just solution" could serve to improve not only economic relations between the Soviet Union and the United States but could also promote better relations "as a whole."

The pattern of restraint in challenging US peaceful intentions and the careful exemption of the President from direct criticism were continued in Soviet comments on the President's State of the Union message. As in the reporting of the President's tour, Moscow restricted its coverage to factual reporting while resorting to foreign press comments for implied criticism.

The US press was extensively quoted by the Soviet press as charging that the American

disarmament policy is "confused and uncertain," thus casting some doubts on the President's declaration of his intention to achieve world peace. In an effort to contrast this alleged uncertainty with Soviet policy, the President's speech was reported along with articles stressing the increasing support throughout the world for Khrushchev's disarmament proposals.

Moscow's careful avoidance of direct criticism of the President contrasts with Peiping's continuing attacks, charging him with playing only "lip service" to peace.

These conciliatory gestures by Moscow, however, were accompanied by moves--highlighted by the announcement of projected Soviet rocket tests in the Pacific--designed to sharpen the impression in world opinion that the USSR holds a commanding lead in the modern weapons race. The foreign press was cited in documenting this impression, with particular emphasis on quotations which report the test firings as a further indication of the growing disparity between Soviet and American missile development.

Moscow probably feels that demonstrations of missile prowess--reflected in the advance announcement and precise delineation of a specific zone of impact--will serve to strengthen the Soviet positions

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in current talks on nuclear testings, at the disarmament negotiations in March, and at the summit.

Soviet propaganda media have also carefully stressed the exclusively peaceful and scientific nature as well as the legal basis of the program. Soviet scientists have been extensively quoted in support of the contention that the tests are an integral part of the USSR's space program, and US legal authorities were cited as having found no impediment to such tests under international law.

The emphasis on legality and repetition of the comparison of this action to similar US and British actions in conducting nuclear tests in the Pacific suggests that Moscow is attempting to establish a legal and political precedent for future Soviet testing in this area. The care in issuing a precise warning well in advance of the tests and the stress on the fact that the impact zone is "thousands of miles from main sea routes" were probably intended to bolster the legal basis of the Soviet move.

Summit Conference

While Moscow continued to avoid officially raising controversial problems concerning the summit conference,

the question of East German participation might be raised at the beginning of the meeting. The continuing pretensions of East German leaders to participation in the summit discussion on Berlin and Ger-

many were publicly supported in the communiqué issued after the visit of an East German delegation to Outer Mongolia. While the delegation was in Communist China, the People's Daily in an editorial also characterized the East German position as "fully justified."

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Hints of new Soviet proposals on Berlin are probably intended to influence current Western consultations on joint policy positions at the summit by conveying the impression that Moscow is seriously reconsidering its position, and adopting a flexible attitude toward working out a proposal acceptable to the West.

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Western Views

In a speech to the West Berlin assembly on 11 January,

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West German Chancellor Adenauer laid great emphasis on the need to preserve Allied rights in Berlin and warned that a surrender on Berlin would lead to a whole series of capitulations. He said that the positions taken by the Western powers last summer at Geneva "went to the limit bearable" and declared that it would be a dangerous mistake to resume negotiations at the point on which they broke off. Segments of the West German press noted that although Adenauer and West Berlin Mayor Brandt agree on the need for preserving the legal basis for Allied presence in Berlin, Brandt also emphasizes that West Berlin's economic and political ties with West Germany must also be firmly maintained.

talks, which resumed in Geneva on 12 January, suggest that he will try to focus the negotiations on the USSR's proposals for settling outstanding political questions and to avoid prolonged discussion of the stale-mated underground detection problem on which the Soviet position is most vulnerable.

In his opening statement, Tsarapkin carefully avoided any reference to the failure of the technical experts to agree on the most important aspects of this problem and confined his remarks to expressing hope that the talks would move forward rapidly. He recalled the Soviet "compromise proposal" of 14 December on inspection-post staffing, composition of a control commission, and voting procedures and contended that the most "crucial" unresolved question before the conference is the Soviet proposal for an agreed annual quota of on-site inspections of suspected nuclear explosions. Tsarapkin emphasized that the United States still has not taken a formal position on this proposal.

In response to the American delegate's insistence that the technical problems of underground detection cannot be ignored, however, Tsarapkin renewed earlier charges that the views of the American scientists were politically motivated. He alleged that the American experts had been instructed to "prove" the impossibility of building a control system on the basis of the 1958 experts' report and to demonstrate that underground tests could not be detected, thereby justifying the exclusion of such tests from a ban for "military reasons."

Nuclear Test Talks

Soviet delegate Tsarapkin's tactics at the nuclear test ban

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The Soviet delegate concluded by suggesting that such futile discussions and recriminations be ended and that the conference proceed with constructive work by discussing the USSR's proposal of 14 December. He pointedly called on the British delegate to "live up to his statement" that Britain would do everything possible to contribute to the work of the conference.

This remark indicates that the Soviet Union, in its drive to increase pressure on the United States to accept a compromise formula, still believes it can exploit Britain's dis-

position to settle for something less than the American concept of adequate safeguards against undetected nuclear tests.

Moscow appears confident, moreover, that the United States, with the ten-nation disarmament conference and the summit meeting in the offing, will neither resume nuclear tests nor force a breakoff of the test-ban talks. Khrushchev probably still hopes to obtain agreement, at least in principle, on the main points of a test cessation treaty which can be referred to the heads of government for final negotiation and approval. 25X1

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## MIDDLE EAST HIGHLIGHTS

Iraq

Under the new law on political parties which came into effect last week in Iraq, four parties have applied for recognition by the Ministry of Interior--the socialist National Democratic party, the United Democratic party of Kurdistan, and two other groups, each professing to be the "true" Iraqi Communist party. One group, led by Abd al-Qadir Ismail al-Bustani and Zaki Khayri, represents the "orthodox" Communists. Its journal, Ittihad al-Shaab, is the recognized Communist mouthpiece. The other group is led by Daud Sayyigh, publisher of Al-Mabda, who had been a dissenter from the Iraqi party leadership as far back as 1942. Sayyigh engineered a party split in 1947 and carried many younger idealistic members with him.

There are rumors that Sayyigh has Qasim's blessing, and

Sayyigh's application may be a maneuver by Qasim to cause dissension among the Communists in accordance with his policy of balancing contending political factions. Qasim's favoring of the Sayyigh faction, by granting its application for legal status, would fit in well with his idea that Iraqi Communists are true Iraqi nationalists. It would appear more likely, however, that Qasim, faced with the choice of deciding which of the two contending factions to license, will allow both to operate.

Taking advantage of Nasir's mounting troubles in Syria, Qasim has seized the initiative in the UAR-Iraqi propaganda war. Following up his revival last November of Nuri Said's Fertile Crescent plan--envisioning the union of Iraq, Syria, Jordan, and Palestine--Qasim has publicly denounced Egyptian domination of Syria and openly appealed to the Syrians to break away, saying

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Iraq "will not stand idly by in the face of injustices done the Syrian people."

Accompanying Qasim's attempts to promote himself as the principal Arab nationalist leader have been charges that Egypt and Jordan joined Israel in annexing parts of Palestine. Qasim has appropriated about \$1,500,000 for the establishment of a "Palestine government," and is calling for incorporation of the Gaza Strip (now under Egyptian administration) and the Palestinian section of Jordan, plus Israel, into a Palestine republic. Qasim has intimated that he will support the notorious former Mufti of Jerusalem, Haj Amin al-Husayni, in this effort.

Baghdad's propaganda is also focusing on the Arabs in southwestern Iran, charging oppressive Iranian rule and making demands for territorial changes. In the Persian Gulf area, the Omani rebels have been feted and given propaganda assistance in competition with that of Cairo. Qasim is also loudly supporting the Algerian rebels. Another facet of Qasim's propaganda war has been an appeal to the Kurdish minorities of Syria and Iran to look to Iraq for realization of their aspirations for autonomy.

Syrian reaction to the resignation of five Baathist UAR cabinet ministers has subsided, with the general feeling one of relief at the apparent end of the party's widely resented influence in Syrian politics. Nasir's break with the party involves an element of risk to

the regime, however, including the UAR's possible loss of Baathist support throughout the rest of the Arab world and a move by Communist elements to ally themselves with the dissident Baathists.

The regime has been careful to present its differences with the Syrian Baathists as individual disagreements rather than a split with the Baath as a whole. Cairo probably is especially concerned over the possible effect of Syrian developments on its relations with the Iraqi Baathists, who have hitherto been the UAR's closest allies against Qasim. Nasir also promised the Baathist leadership in Beirut last month to continue UAR subsidization of the party's efforts in other Arab states. An area-wide break with the Baathists could be a setback for his prestige and influence in the Arab nationalist movement.

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Cotton Boom

Egypt and the Sudan are experiencing a rather surprising

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sales boom in long-staple cotton. The steady decline in long-staple cotton prices which has characterized the situation since the Korean war now has been reversed. In the important Liverpool market, long-staple prices continue to strengthen, with Egyptian cottons leading the advance. Sudanese cottons are experiencing a similar heavy demand. Although the long-term prospects for long-staple cottons continue quite gloomy, some experts feel that the present demand for fine yarns will be sustained for at least the next year.

Despite only negligible sales to Communist bloc countries, Cairo probably has disposed of about half of its 1959-60 long-staple cotton crop since the marketing season began on 1 September. The current crop is about 2,074,000 bales--up about one percent from last year. During the last marketing year (1 September 1958 to 31 August 1959), the Communist world took about 1,330,000 bales--65 percent of Egypt's cotton exports. In this marketing year, however, the USSR had purchased only 20,000 bales by mid-December, and Egyptian trade sources believe the bloc will buy substantially less than half of the current crop.

Although purchases from all bloc countries may still be important, Western demand for Egyptian cottons paid for in Western currency will cause

Cairo to prefer to market most of its cotton in nonbloc countries.

The Sudan has solved, at least temporarily, the cotton crisis which threatened the economy in 1958 and early 1959 and promised to lead Khartoum into closer economic relations with the Communist world. With substantial surplus long-staple cotton and a near record 1958-1959 crop, the country abandoned its "administered" cotton prices and returned to the free market system which prevailed before 1958. Although prices fell substantially, Khartoum had sold all of its cotton stocks by August 1959.

Harvesting of the 1959-60 crop began in December and will continue through March. This crop--estimated to be about 625,000 bales--is up 9 percent from last year and will be the largest in history. Advance sales, which began on 17 December, were very successful, and all cotton offered for March-June delivery was sold. With higher prices, Khartoum may have the most successful cotton year ever.

Reflecting the cotton boom--and hence general economic improvement--the Sudan has decided to abandon all barter deals and to rely entirely on the free market system. The Communist bloc, which has never been important in the Sudanese cotton market, will thus be even less so this year.

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## KHRUSHCHEV DEMOTES TOP PARTY AIDE

Aleksey Kirichenko, who until a few months ago was functioning as Khrushchev's second-in-command in the party secretariat, has been demoted to the job of party chief in Rostov Oblast, according to a Soviet press announcement of 13 January. The assignment represents a serious reversal in his political fortunes. He replaces Nikolay Kiselev, Rostov Oblast party chief since 1952, who was "transferred to other work." Kirichenko's status as a full member of the party presidium, a post he has held since July 1955, was not mentioned. While Kirichenko has not been reported involved in policy disputes, in recent months he no longer seemed to enjoy Khrushchev's full confidence.

Kirichenko, now 52, was a Khrushchev protégé and associate for many years. Khrushchev was apparently responsible for Kirichenko's rapid rise in top party circles since 1953. In June 1959, however, Khrushchev told Governor Hariman that Kozlov had been picked as his successor. Since then Kirichenko has not engaged in the kind of substantive party activity which had previously marked him as one of the four top Soviet leaders.

Factional infighting in the highest circles of the party is most often observed in the areas of personnel appointments and policy decisions. There has been a rash of personnel changes recently: upheavals in the leadership of

several republics, extensive changes in the secret police (KGB), shifts in the central party apparatus, and, more recently, the return of Presidium member Nikolay Ignatov to full-time work in the party secretariat after several months in disfavor. Some of these changes probably reflected maneuvering involving Kirichenko.

The decision to reassign Kirichenko was probably made last month at a special secret session of the party central



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committee which was held immediately following an open meeting devoted to agricultural problems. No announcement has been made concerning the special session, but reports from Moscow indicate that it also considered the decision to abolish the Ministry of Internal Affairs and the program of the Supreme Soviet meeting which began on 14 January.

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**PART II****NOTES AND COMMENTS****USSR ABOLISHES CENTRAL MVD**

The USSR Supreme Soviet has abolished the USSR Ministry of Internal Affairs (MVD) and assigned its functions to the republic internal affairs ministries. The demise of the MVD, long a symbol of police terror under Stalin and Beria, will enable Khrushchev to make extravagant propaganda claims about the growth of "socialist democracy" under his leadership.

The decision to formally do away with the central MVD was apparently reached by the party central committee during the last week in December, perhaps at a two-day closed meeting following the plenum on agriculture.

Elimination of the MVD is but the final step in Khrushchev's deliberate decimation of the vast police empire built up by Stalin and Beria. Since 1953, the MVD had been systematically stripped of its powers, having lost control of the secret police, the forced labor complex, various construction enterprises, and the border troops. Nikolay Dudorov, a party careerist who had headed the MVD since 1956, had decentralized the ministry's remaining functions and reduced its personnel to an extent which suggests that he was assigned to preside over the final liquidation of the MVD.

Disposition of the central MVD's responsibilities is not likely to be a problem. Administration of the civil police

(militia) probably will be left to the republic internal affairs ministries and local governments which have shared this function with the central ministry since late 1956. Since the border troops of the MVD were assigned to the State Security Committee (KGB) in 1958, it seems probable that the MVD internal security troops will also be assigned to that organization, thus strengthening the secret police organization created by Khrushchev in 1954.

Almost simultaneous with a step which will be represented as an expression of confidence in the maturity and reliability of the Soviet people, however, the party central committee has expressed deep dissatisfaction with the work of its propaganda apparatus in molding popular attitudes. In a long resolution, bristling with criticisms and stipulating improvements, the party has demanded a sharp reorientation and expansion of propaganda functions. The regime, the resolution suggests, is intent on inoculating the population against ideological infection from expanded East-West contacts and "peaceful coexistence."

The resolution also accentuates the party's concern over the failure of the propaganda machine to gear itself closely to the regime's most pressing and immediate political and economic goals. Condemning the abstract or jargon-ridden content of much of Soviet propaganda, the resolution again and again stresses

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practical, concrete goals. "The efficacy of party propaganda shows itself first in concrete production results," it asserts. "There must be less political blather and more concrete struggle for an acceleration of the pace of

Communist construction. Oral and printed propaganda must serve the mobilization of the masses for successful implementation of the Seven-Year Plan and the entire program of the construction of Communism in the USSR." [redacted]

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**USSR PLACES MAJOR ORDERS FOR WESTERN PLANTS**

In a burst of buying activity, the USSR signed contracts for at least \$200,000,000 worth of complete Western plants at the end of 1959. The deals for British, French, West German, Swedish, and American equipment were concluded by a special Soviet purchasing team which set up headquarters in London in mid-October and has just recently returned to Moscow. The sets of equipment involved had, in many cases, been the object of negotiations throughout 1959. The terms of the deals are not yet known.

The USSR is known to have purchased in 1959 at least another \$100,000,000 worth of Western plants, some of them on credit terms guaranteed by Western European governments. The purchases of all complete sets of equipment and plants are for future delivery and will be largely reflected in trade from 1960-63.

The year-end purchases reflect stepped-up activity inspired by Soviet policy,

inaugurated by Khrushchev in 1958, to speed economic growth through purchases of technologically advanced Western equipment. About one third of the purchases apparently are linked to expansion of the Soviet chemical industry--synthetic rubber and plastics--while the remainder include sugar refineries, textile equipment, printing machinery, and wood-processing plants.

Soviet trade with the entire free world increased from \$2.4 billion to about \$3 billion in 1959, according to Deputy Premier Mikoyan; trade with West European industrial countries apparently accounts for the largest part of the expansion. Despite the apparent failure of Soviet sales in Western Europe to keep pace with the increased purchasing activity--a fact which seems to have led to some Soviet payment difficulties recently--the buying activity suggests that Moscow considers these difficulties only temporary. [redacted] (Prepared by ORR)

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**NEW BONUS REGULATIONS FOR SOVIET MANAGERS AND ENGINEERS**

New bonus regulations for the Soviet Union's industrial managers, supervisors, and technicians became effective on 1 January 1960 for most

branches of heavy industry and state agriculture. They had been introduced in construction, transportation, communication, and other industries on

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1 October 1959. The regulations, which affect about three million people, replace a similar set of national standards developed with many variations since 1946. The new rules, an integral part of the over-all wage and salary reform to be completed by 1962, are intended to give managers and technicians a more direct personal incentive for reducing production costs.

The most important provisions of the new system call for bonuses for reducing production costs and, in certain industries, for improving product quality. All bonuses for cost reduction are contingent on simultaneous fulfillment of the production plan, the labor productivity plan, and the plans for deliveries. Bonuses previously paid solely for fulfillment and overfulfillment of the production plan are to be discontinued, except in modified form in "certain industries where a growth in production is of exceptional importance in the development of the national economy."

The new bonus arrangements are likely to reduce the earnings of many of the highest paid managerial personnel and also will result in smaller earnings differentials among industries and among individuals within an industry.

In industries where the wage and salary reform now is largely complete, basic salaries for most managerial-technical

employees have been raised considerably, although some of the highest salaries have been cut. It appears, however, that even with these higher basic salaries, the managerial personnel in general will be hard pressed to maintain their accustomed earnings under the new bonus regulation. In industries not yet under the new wage and salary system, managers will be under severe pressure to keep their incomes from falling sharply.

Whatever the effect of these changes on morale, the substantial narrowing of wage differentials implicit in the changes is in line with the regime's policy of "narrowing the gap between the earnings of low-paid and high-paid workers." Moscow seems to feel that it can safely do this without adversely affecting the supply of managerial-technical talent, since the rewards to such persons still are sufficiently high to attract new recruits, and those already in the group cannot better their lot by moving elsewhere in the economy.

The new system probably will succeed in making Soviet managers and supervisors more cost-conscious and thereby should also encourage a more receptive attitude toward new production techniques, one of the objectives emphasized by the June plenum on automation. This is in contrast to the old system, which primarily rewarded gross output. The improvement of the production process was resisted if it meant a reduction, however temporary, in the volume of output.

(Prepared by ORR)

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**CHINESE COMMUNIST - SOUTH KOREAN INCIDENTS**

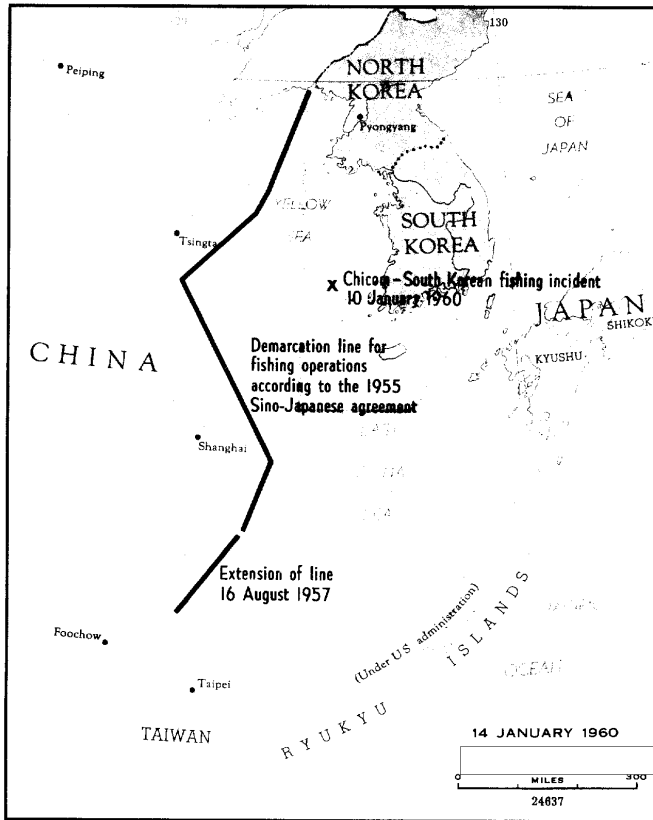
The clash on 10 January between a South Korean patrol boat and ten armed Chinese Communist fishing vessels reflects Peiping's determination to resist Korean attempts to enforce the unilaterally proclaimed "Rhee line." Neither Peiping nor Tokyo recognizes the line, which demarcates fishing grounds and extends as far as 175 nautical miles from the South Korean coast. Korean officials claim that Chinese fishing boats are becoming more active within the Rhee line area, and more incidents can be expected.

Violations of the line have resulted in frequent incidents between South Korean coast guard patrols and Chinese and Japanese fishing boats. Seoul's lightly armed and poorly maintained coast guard, which is not under the UN Command's operational control, is largely used to enforce the line. Two encounters with Chinese fishing boats occurred in December, and in both cases the armed Chinese vessels forced the Korean patrol boat to withdraw.

The 10 January encounter came at night about 50 miles off the southwest Korean coast, well within the Rhee line. The Koreans, who have stepped up attempts to seize Japanese fishermen in retaliation for the repatriation of Koreans in Japan to North Korea, probably thought they were in pursuit of unarmed Japanese boats. The Korean boat was immobilized

and one crew member killed. A Korean request for US air support was refused.

Although it is unlikely the Chinese deliberately provoked the recent incidents, they



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apparently will continue to disregard the Rhee line. The extent of the damage to the Korean boat suggests that the Chinese junks were heavily armed.

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Despite its objections to Seoul's restrictions on fishing in the Yellow Sea, Peiping itself bans foreign fishing in a wide band off its own coast.

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In private negotiations in 1955 with Japanese fishing interests, Peiping established a line some 40 to 70 miles off the China coast running from Manchuria to the 29th parallel,

later extending it to the 27th parallel. The Chinese Communists have occasionally seized Japanese boats operating within this proscribed area.

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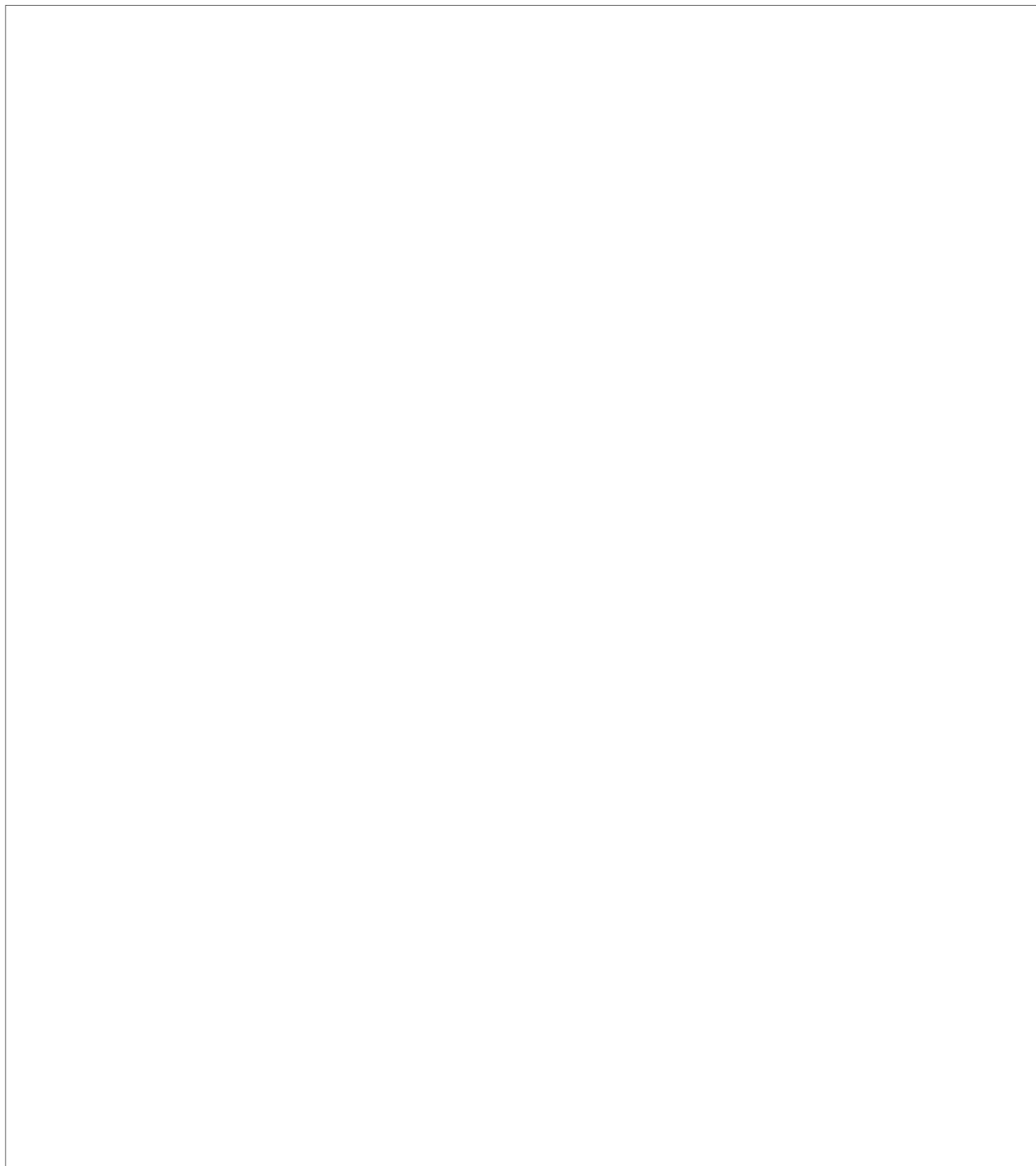
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**RECENT TRENDS IN THAILAND**

The government of Field Marshal Sarit, after one year in office, remains firmly entrenched and has laid the foundations for favorable political and economic development in Thailand.

Sarit's generally able cabinet includes several competent economic specialists who, together with various advisory committees set up by the premier, have largely established the legal and administrative

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framework necessary for the substantial expansion of foreign investment in Thailand's economic development. Conservative fiscal management has led to a stable currency and comfortable gold and foreign exchange reserves.

Premier Sarit has taken a personal interest in eliminating what he considers anachronistic social ills, such as opium smoking, prostitution, and the thousands of pedicabs which in the past contributed to serious traffic congestion in Bangkok. While these social reforms have clearly bolstered Sarit's popularity, their permanence is open to question, and government administrative efficiency has suffered as the result of Sarit's personal preoccupation with social reform.

The Sarit regime's accomplishments in the political realm have not kept pace with its achievements in other fields. Almost 15 months have elapsed since Sarit's October "revolution," but the country still lacks the new constitution he promised at the time. Meanwhile, political parties are still suppressed and the country remains under martial law. These delays are less serious in Thailand than they would be in a more politically sophisticated country; nevertheless, continued lack of progress in returning to more normal forms of political conduct

might lead to increased restiveness among civilian elements of Thailand's small ruling class.

Internationally, the regime has maintained Thailand's strongly pro-Western orientation and has taken tentative steps toward the formation of a loose regional grouping of the Southeast Asian states. Thai relations with Burma have continued to improve, and Sarit and his colleagues have taken a concerned but realistic view of developments in Laos. Relations with South Vietnam have been clouded by Thailand's determined effort to resolve the problem of the Vietnamese refugees in the northeast, largely through their gradual repatriation to North Vietnam. Relations with Cambodia continue to be cool, with both countries from time to time engaging in acrimonious polemical exchanges.

Rumors of discontent within the ruling military clique continue to crop up periodically, but as long as Sarit's health holds up, he will probably be able to keep his followers in line through the judicious dispensation of funds and other favors, an activity at which he is unusually adept. Sarit's illness--cirrhosis of the liver--appears for the moment to have been arrested; however, Sarit maintains a hard working pace and could have a serious relapse at any time.

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**PREPARATIONS FOR CEYLON'S NATIONAL ELECTION CAMPAIGN COMPLETED**

Preparations for national elections in Ceylon have proceeded smoothly despite the abrupt dissolution of Parliament in December and the imme-

diately scheduled of elections for 19 March, one year before they were due. Nominations were filed and the official roster of contesting parties completed on 4 January.

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The island's voters face a complex pre-election scene, however, as 899 candidates have been nominated for 151 elected parliamentary seats on behalf of 18 recognized parties and four others which will contest unofficially. Only six of these parties are well established. Moderate elements are represented by the United National party (UNP) and the Sri Lanka Freedom party (SLFP), the leftists by the Trotskyite Lanka Sama Samaj (LSSP), the Communist party (CCP), and the reconstituted Mahajana Eksath Peramuna (MEP). The Federal party represents the Tamil-speaking minority.

The three main competitors for the moderate vote are the UNP, the SLFP, and Prime Minister Dahanayake's new Ceylon Democratic party. The UNP's 127 candidates make up the largest group nominated by a single party. UNP-backed independents probably are contesting in most of the 24 other constituencies, although in some cases the party probably will not oppose certain SLFP or Democratic party candidates. At this time neither of the latter two parties seems to constitute by itself a serious threat to the UNP, although the extent of these parties' popular backing is uncertain.

Dahanayake, however, has managed to enlist enough support since forming his party

in early December to nominate 99 candidates, and some SLFP members may have retained considerable popularity in their own constituencies despite their party's loss of country-wide support. The UNP therefore will have to wage an all-out campaign to prevent other moderate candidates from splitting the moderate vote and destroying the UNP's chance of winning a majority.

None of the three leftist parties appears able independently to win either a majority or a plurality. The LSSP, the leading opposition party in the former government, does not seem likely to increase its parliamentary representation substantially over the 14 percent it won in 1956. The party will have to resolve the growing conflict between its radical and relatively moderate factions before it can campaign successfully, and it will have to modify its unpopular language policy before it can count on extensive popular support. The MEP may capture a good share of the leftist vote, although it is not likely to establish a broad-based organization within the next two months.

A united front would be the most successful leftist strategy against the moderates, but the policy and personality differences which have prevented such an alliance in the past apparently continue to do so.

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**LONDON CONFERENCE ON CYPRUS**

British, Turkish, Greek, and Cypriot leaders meeting in London on 16-18 January will seek agreement on the still-unresolved issue of the size of British bases on Cyprus in order to permit independence

to go into effect on 19 February as scheduled. To enable legislation to be passed in time, a bill should be ready by the time the British Parliament reconvenes on 26 January. All major constitutional issues have already been resolved.

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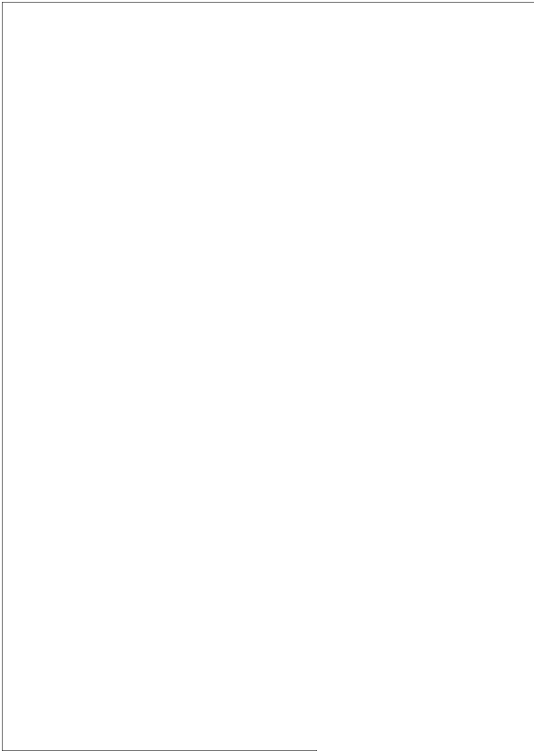
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Both the Turks and the Turkish Cypriots support the latest British offer, and Greece also considers it reasonable. President-elect Makarios has insisted on further concessions, however, and is under heavy pressure from the Communist-led AKEL, which opposes any bases whatever, and from the Grivas forces, who favor greater limitations on area and rights than Britain is prepared to accept.

Under the terms of the agreements of last February, Britain retains sovereignty over two military bases-- Dhekelia and Akrotiri--plus other rights, including full control over other small military sites (primarily radar and communications facilities), use of connecting roads, and the use of areas for troop training. London has successfully reduced its proposals for the base enclaves to an area of about 113 square miles, including less than 1,000 Cypriots.



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elections for the House of Representatives and the Greek and Turkish communal chambers are still scheduled for 7 and 10 February respectively. On 12 January the last British battalion not scheduled to remain in the base area after independence left Cyprus, and advance parties of the Greek and Turkish military contingents to be stationed on Cyprus arrived.

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IMPLICATIONS OF PINAY'S OUSTER FROM FRENCH CABINET

French Finance Minister Pinay's ouster over his clash with Premier Debré will probably hasten the adoption of a more expansionist economic policy and be accompanied by increasing criticism of De Gaulle's efforts to build up national prestige at the expense of the

Western alliance and by dissatisfaction with the mounting cost of such efforts. Pinay's identification in the public mind with France's newly won economic stability increases the risk of a loss of investor confidence if his "hard-money" policy is relaxed and additional

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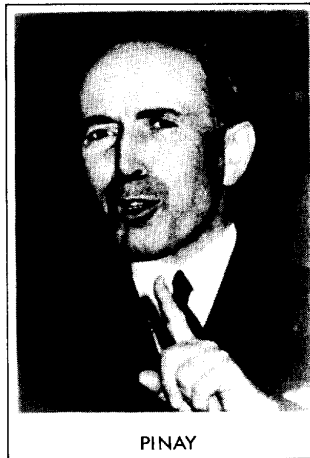
government involvement in economic planning is permitted. In any event, increasingly vocal opposition to De Gaulle's over-all program can be expected, both from Pinay's Independent party and other groups.

Premier Debré, seconded by Minister of Industry Jeaneney and others representing the "Gaullist" Union for the New Republic (UNR) in the cabinet, has been subjected to growing pressures to loosen the Pinay economic restrictions on consumption and expansion and to push programs stressing social benefits. The UNR group favors a selective rise in wages and farm prices and is working on plans for creating a new national bank to aid in the reconversion of depressed areas and industries, for organizing a government-controlled company for marketing Saharan oil, and for implementing decrees embodying De Gaulle's proposals to give labor a voice in corporate management.

Even though the publicized aspects of the Pinay-Debré quarrel deal almost exclusively with economic problems, political considerations are probably even more important. Pinay had been viewed by the UNR group as a holdover from the discredited Fourth Republic, an opponent of accelerated economic expansion, and a threat to the UNR's attempts to build a new political base for the present regime.

On the other hand, Pinay has an established political

following based on his prominence as a leader under the Fourth Republic and is still nominal head of the Independent party, which in terms of parliamentary representation is the most important group sur-



PINAY

viving from the Fourth Republic era. The Independents have been showing increasing signs of serious disagreement with De Gaulle's "liberal" offer of self-determination to Algeria, his highhanded treatment of Parliament, and his apparent downgrading of NATO and the Western alliance.

Pinay has been reported as having presidential ambitions and now may seek to further these by exploiting the opposition of certain pro-NATO elements to some aspects of De Gaulle's policies. In any event, he has probably increased his political stature by leaving the government when his economic policies seem at the height of their success.

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**AUSTRIA'S TIES WITH AN INTEGRATED EUROPE**

Austrian Vice Chancellor Pettermann's increasingly violent attacks on the European Economic Community (EEC or Common Market) reflect the growing confusion in Vienna over Austria's role in an integrated Europe. Contrary to the Socialist leader's views and despite the government's decision to sign on 2 January the treaty creating the European Free Trade Association (EFTA or Outer Seven), most Austrians know that the country's interests are closely tied

up with the EEC. Protection of those interests is complicated, however, by domestic politics, by the political struggle between the EEC and EFTA, and by

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**EUROPEAN TRADE PATTERN OF EFTA COUNTRIES IN 1958**

	PERCENT OF COUNTRY'S IMPORTS		PERCENT OF COUNTRY'S EXPORTS	
	FROM EFTA	FROM EEC	TO EFTA	TO EEC
AUSTRIA	11.2	54.3	10.5	49.6
BRITAIN	9.7	14.1	10.1	13.1
DENMARK	39.6	36.1	40.3	31.7
NORWAY	37.8	35.3	37.5	27.2
PORTUGAL	21.6	39.2	17.5	24.7
SWEDEN	24.5	41.8	34.9	31.0
SWITZERLAND	10.8	58.8	15.5	39.2

EEC MEMBERS: BELGIUM, FRANCE, ITALY, LUXEMBOURG, NETHERLANDS, WEST GERMANY

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Vienna's fear of offending the USSR.

These political considerations--rather than economic interests--largely account for the decision, after lengthy debate, to join the EFTA. Of all the EFTA countries, Austria is economically most dependent on the EEC: West Germany and Italy are its two best customers, and the Common Market area accounts for more than half of its total trade. By contrast, among the EFTA, only Britain's trade is less oriented toward its EFTA partners than Austria's, and geographical remoteness and other factors will be major obstacles to Austrian exploitation of the markets the EFTA may open up.

Business elements in Chancellor Raab's People's party, as well as some trade union leaders, have tended to favor Austria's direct association with the EEC, but Socialist leaders in particular have argued against such a course. Foreign Minister Kreisky has contended at various times that tiny Austria cannot effectively bargain with the "powerful" EEC and that EEC membership is ruled out by Austria's military neutrality law, by

the State Treaty restrictions against an "Anschluss" with Germany, and by Vienna's bilateral commitment in the Moscow Memorandum of 1955 to follow a neutral policy modeled after Switzerland's.

Many observers regard this interpretation of Vienna's neutrality commitments as dangerously restrictive on Austria's freedom of action. If the hoped-for merger of the EEC and the EFTA fails to materialize, as seems increasingly likely, the economic facts will probably compel the government to consider what bilateral arrangements it can make with the EEC. The influential Austrian League of Industrialists is reported recently to have sounded out EEC President Hallstein along these lines.

Such a solution, however, has probably been made doubly difficult by the Socialists, who have in effect given Moscow useful arguments for actively opposing it. Thus far, the USSR is not known to have objected to Austrian participation in the EFTA, but Soviet officials have made it clear that direct Austrian association with the EEC would be considered "unneutral." 25X1

**DANISH POLITICAL SITUATION**

The Danish political situation is uncertain in view of the serious illness of H. C. Hansen, prime minister of the coalition since May 1957. Hansen, who commands widespread respect among other parties as well as among his own Social Democrats, has been one of the main forces preventing a further curtailment of Denmark's defense effort, already the

lowest among the NATO countries other than Iceland.

Hansen's retirement would be a seriously unsettling event in the normally placid Danish political scene. The coalition government would not be affected immediately, since none of the parties--the Social Democrats, the Radical Liberals, and the Justice party--is at present

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anxious to have early new elections. There probably would be, however, increased disagreement among the divergent coalition partners, a growth of factionalism within the Social Democratic party, and an even

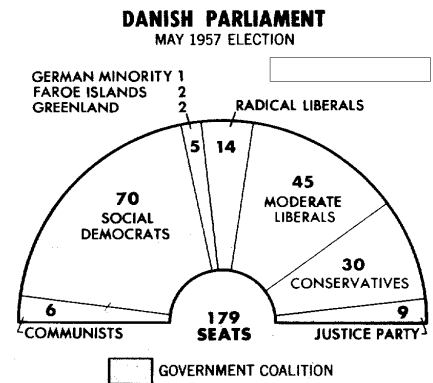


more cautious approach on the part of the government to controversial questions relating to defense.

Antidefense elements might attempt to further curtail the modest defense effort. On several occasions, the North Atlantic Council has voiced concern over the generally low level of Danish preparedness, particularly the size of the defense budget, which now constitutes about one fifth of the annual budget and about 3.2 percent of the GNP. A new compromise defense bill, largely the work of Hansen and now under consideration by parliament, provides for a 10- to 15-percent increase in the defense

budget but also authorizes a gradual reduction of the conscription period from 16 to 12 months.

Danish officials insist, however, that internal political factors do not permit a substantial increase in defense spending; this could be achieved only by an increase in taxes or at the expense of the popular and extensive social welfare program.



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Possible successors to Hansen as prime minister are Acting Prime Minister Kampmann, who has displayed considerable vigor as minister of finance, and Foreign Minister Krag. Neither Kampmann nor Krag, however, possesses Hansen's prestige or influence, either to hold the coalition cabinet together or to lead the Social Democratic party in early elections. Elections are likely in the fall, and it is possible that interparty strains among the coalition could precipitate them earlier.

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**TOP PORTUGUESE COMMUNISTS ESCAPE FROM PRISON**

The recent escape of ten imprisoned Portuguese Communist leaders is causing concern to the Salazar regime over the reliability of certain sectors

of the security forces as much as over the threat of intensified opposition. The clandestine Portuguese Communist party is small--membership is estimated

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at 9,000--but well organized, and it probably hopes to exploit the subsurface discontent with the Salazar dictatorship which broke out on several occasions during the 1958 presidential campaign.

Alvaro Cunhal, former secretary general of the Portuguese Communist party, and nine other "hard-core" party leaders escaped for Peniche prison north of Lisbon on 3 January.

caped from a military prison

Communist leaders are reportedly well financed, and they may attempt to cooperate with other militant oppositionists. In that event, their highly disciplined party would probably seek to exploit any efforts that these opponents of the regime might make to turn present latent popular discontent into overt manifestations of unrest. Various opposition groups in the north, representing the most diverse ideological views, are concerting plans to ensure the widest possible participation in the national elections of 1961.

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Concern over Cunhal's escape is especially high because the government believed his imprisonment in 1949 had broken the back of the Portuguese Communist movement. Moreover, his break came only five weeks after two army officers, who had been convicted of complicity in the attempted coup of March 1959, es-

In view of this development and the escape of the ten Communists, the security authorities have already imposed increased surveillance on all public gatherings.

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PROPOSED CUBAN CONFERENCE OF UNDERDEVELOPED NATIONS

The Castro government's efforts to organize a conference of "hungry nations" is a bid for a position of leadership among the neutralist, underdeveloped countries with which Cuba now identifies itself. Cuba insists that the conference, to be held in Havana in the summer of 1960, is not political but economic and technical, and that its main

objective should be "the drafting of a charter of the economic rights of people."

Castro officials seek in their public statements to imply that the conference will have formal UN cooperation. Secretary General Hammarskjold, however, has in the past been careful to prevent his organization from being involved in conferences

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of an obviously political or propagandist nature.

Four teams of Cuban diplomats and economists, one led by Foreign Minister Raul Roa, are now visiting over 30 African, Asian, Mediterranean, and Latin American countries to discuss a proposed agenda. The other governments are being invited to co-sponsor the meeting, and expenses are offered by Cuba for five delegates from each country. Roa probably made a particularly strong approach to Nasir during their recent talks, since Cairo is already cooperating to establish closer Cuban-UAR ties. The foreign minister will also visit Tunisia, Morocco, Libya, Yugoslavia, and Greece.

Another team led by the Cuban ambassador to India has left for Jordan, Lebanon, Iraq, Pakistan, Ceylon, Iran, Indonesia, Thailand, and the Philippines. Still others are visiting Liberia, Ghana, Cameroun, Guinea, Yemen, Sudan, Saudi Arabia, and most Latin American countries.

Castro's determination to follow a "third-position" foreign policy is consistent with his claim that the Cuban revolution is a "humanistic" middle path between capitalism and communism. However, Cuba's policies in the UN, OAS, and elsewhere seem designed primarily to assert defiance of the United States.

Brazilian Foreign Minister Lafer says he feels the conference would benefit only the Communists and hopes that Latin American countries will not attend. Brazil considers its own Operation Pan America Latin America's best hope for obtaining US economic aid and evidently fears that Castro's activities threaten its success.

Other countries have as yet evinced no decided reaction, but if sufficient official support is not forthcoming, a conference of "leaders" of special interest groups would probably be substituted to help propagandize the moral and economic "responsibilities" of richer countries, particularly the United States.

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**RIOTING IN VENEZUELA**

Rioting by several hundred unemployed persons in Caracas on 11 January occurred against a background of economic difficulties and followed a series of terrorist bombings earlier this month. The government for the present commands the loyalty of the majority of the armed forces and is in full control of the situation, but a resumption of public violence could serve as a pretext for an attempted takeover by discontented military groups.

The rioting, which was soon checked by police and national guard action, began as a protest against the government's reduction in its emergency public works program and followed a peaceful demonstration of unemployed on 8 January. Communist and radical elements of the Democratic Republican Union party (URD), a dissatisfied component of President Betancourt's non-Communist three-party coalition, may have been the principal instigators of the labor unrest.

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Violent demonstrations last August by unemployed were the only other cases of serious rioting which have occurred since President Betancourt took office in February 1959. However, frequent rumors of discontent and plotting, especially in the army and national guard, and of subversive activities of exiles have created an atmosphere of public tension.

A wave of terrorist acts last October, like those early this year, resulted in a number of arrests and the reassignment of several suspect officers. Communists, particularly through their strong influence in the press, have magnified these incidents, apparently in part to discredit the armed forces and to emphasize their call for unity among all civilian groups to prevent the return of a military dictatorship.

Betancourt has also been confronted by other economic and political problems, including potential strife in the key oil industry, friction within the governing coalition, and a sharp decline in foreign exchange last fall which adversely affected business confidence. Although the URD professes its adherence to the regime, its radical elements often collaborate with the Communists, who are excluded from the coalition, and at times appear to stand with other dissatisfied civilian groups. An extension of such opposition might pose a threat to the stability of the Betancourt regime and also increase the possibility of a coup attempt by the military, which have now been placed in command of the Caracas police force. The Communist and URD parties have their strength concentrated in the capital, where Betancourt's support is relatively weak.

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**PROBLEMS OF FRANCE'S CARIBBEAN DEPARTMENTS**

The economic and social tensions of France's overpopulated West Indian islands have long given the extreme left a dominant position there and have recently been aggravated by the arrival of colonial-minded French refugees from North Africa. The rioting in late December on Martinique sparked new interest in Paris, and there are reports that on his way home from the United States in April De Gaulle will visit the islands and the underdeveloped department of French Guiana. There is no indication however, that Paris plans to increase its economic aid to the extent necessary to solve the basic problems of the area.

Major problems in the two island departments--Martinique and Guadeloupe--arise from the rapid expansion of the racially mixed population and the existence of a narrow economic base. More than 50 percent of the population of Martinique is under 20 years of age. Sugar cane and banana production provides seasonal employment barely reaching subsistence level for the majority of the islanders.

Metropolitan social benefits are only partially available, and government investment funds amount to only \$4,000,000 for 1960. Reports of De Gaulle's prospective visit may presage

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**FRENCH CARIBBEAN DEPARTMENTS**

more assistance, but any expansion of the present aid program for social and economic projects is unlikely to broaden the islands' economic base sufficiently to provide the foundation for a viable economy.

France's monopoly of the islands' economy and finances is a major point of friction, and both departments have long chafed at the control of policy by Paris. This issue is stressed by the largest political group on Martinique, ex-Communist poet-politician Aime Cesaire's Progressive party, and by the Communist party, which now controls the most important local administrations on Guadeloupe.

Local politicians stir up racial conflict inherent in a situation where some 5,000 metropolitan Frenchmen hold most of the important economic positions and head the political adminis-

tration. An influx of French settlers emigrating from the former French areas of Tunisia and Morocco--some of whom reportedly have displayed arrogant behavior toward the native population--and several recent incidents of race discrimination in Paris involving West Indian students have added to the tension. The Republic Security Companies from the metropole, whose police actions may have sparked the recent rioting, also cause local resentment.

Sparsely populated French Guiana presents different problems. Although undeveloped bauxite deposits and a variety of tropical timber offer possibilities for economic growth, there is apparently neither a coordinated plan for French economic aid nor government encouragement of extensive migration to French Guiana from the over-

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## PART III

PATTERNS AND PERSPECTIVES

## HOW PEIPING MAKES FOREIGN POLICY

In the spring of 1958, Peiping felt the need for a far-reaching foreign policy review. Relatively conciliatory policies pursued since 1955 had not succeeded in gaining recognition for the regime; neither had they eroded US support for the Chinese Nationalists nor softened the resolve of the Nationalists to resist "peaceful liberation." These were some of the matters uppermost in the thinking of Mao Tse-tung and leading members of the party politburo when they brought their ambassadors to many bloc and Asian countries home for consultations in April. The ensuing developments provide a case study in Chinese Communist foreign policy formulation.

This reconstruction of the machinery and procedures employed in working out new policy lines is derived for the most part from information released by the Chinese themselves.

For four months preceding the recall of the ambassadors, Mao had been touring various provinces with several politburo members and provincial party first secretaries, reviewing domestic policy and approving the dismissals of local "rightist" party officers. Mao has insisted for years that on-the-spot investigations were indispensable for any policy-maker. As he put it, "If you have done no investigating, you have no right to speak"; opinions not based on such investigations, he said, are "nothing more than groundless fantasies." With this predisposition for first-hand examination of problems, he felt the need for briefings on foreign policy matters from experts who had

been in personal contact with problems in posts abroad.

Following preliminary briefings from the envoys, the politburo informed the ambassadors through Foreign Minister Chen Yi of its decision to take a new look at the government's foreign policy. At small, informal meetings with officials in the Ministry of Foreign Affairs, the ambassadors outlined what they considered the best tactics for the immediate future.

Policy Toward Neutralists

Future policy toward neutralist countries was discussed

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The recommended policy toward Cambodia was conciliatory; the policy toward Thailand would be less cordial, but not threatening; the posture toward Laos, where the "ruling circles" were seen as moving

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closer to the United States, would be watchful and--when necessary to inhibit measures against the Pathet Lao--threatening.

Policy toward these countries, as well as toward India, Indonesia, and the Middle Eastern and African countries, was discussed by all present. After a few days, the debates--the Chinese insist that every official must speak out frankly in policy discussions--were halted and the participants told by Foreign Minister Chen Yi that they should take time off for a rest. He invited the ambassadors to accompany him to the Ming Tomb Reservoir--ostensibly to observe the progress there, but primarily to give them an opportunity to relax and clear their heads.

The discussion was resumed after a few days, and for the next two weeks the policy toward the neutral countries was debated further. The question of the level of economic aid became a center of contention as each country in the underdeveloped areas of the Middle East, Africa, and Asia was discussed.

The participants finally submitted a report to the central committee secretariat recommending economic-aid levels for each country and detailing the political and diplomatic effort to be carried out in the future. The secretariat was asked to submit the report to the full central committee later in the month for a decision. In practice this meant that it would be submitted first to the politburo, and that the politburo's decision would be ratified by the central committee.

Policy Toward Pro-US Countries

Foreign Minister Chen Yi was joined by several other

members of the party's politburo when the meetings with the ambassadors and Foreign Ministry officials turned to consider the question of Peiping's policy toward pro-US governments.

The politburo members offered the view that it was time for China to take a harder line against these governments; there had been few diplomatic successes under the soft line, which had sought to use low-level economic and cultural contacts as preliminary moves toward the establishment of diplomatic relations. They suggested "struggle"--political warfare--over the long haul to compel these governments to change their alignment with the United States and eventually to accept the necessity for formal recognition of the Peiping regime.

The ambassadors and other Foreign Ministry personnel added their comments, all of which concurred with the views advanced by the politburo members. These comments were reported to a session of the full politburo at which Mao and his top lieutenants put the final stamp of approval on the "hard line."

A politburo report detailing the hard line was one of several general policy reports read to the central committee plenum which met in late April prior to the convening of the larger body, the national congress of the Chinese Communist party. Discussion of the foreign policy report resulted in minor changes in the text, and the report was then expanded for presentation to the National Congress.

The presiding officer of the central committee secretariat, Secretary General Teng Hsiao-ping, read the draft report on foreign policy to the party's national congress at its first meeting on 4 May. He stated that an embargo might have to be

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imposed on trade with Japan if the strongly pro-US government were returned to power as a result of parliamentary elections; urged that an "uncompromising" diplomatic and propaganda attack be waged against the Yugoslavs, who had criticized the Soviet Communist party at their April congress; and declared that all "imperialist" states should be subjected to bitter criticism in China's propaganda.

Officials on lower party and government levels were instructed to adhere "strictly without variation" to the new concept, which totally modified the "reasonable" approach of the 1955-58 period.

During the following two weeks, delegates to the congress commented on the draft report, in compliance with the suggestion of the presidium (presiding committee) of the congress. "Reasonable" amendments and alternative suggestions were taken into account when the draft was finally revised and "unanimously" approved by the delegates in late May.

Chinese propagandists--following a briefing from their superiors, who had discussed the new line with members of the central committee's propaganda department--began to stress the need for the Communist bloc to "struggle" against the major capitalist states, "headed by the United States." Peace must not be "begged," and if war comes, the "peoples of the world" should not doubt the outcome--a victory of the bloc over the "imperialist" states.

Foreign missions in Peiping were subjected to petty harassment. Chinese employees in the missions went on temporary strikes, and food became difficult to obtain. The situation became even worse for the

British mission following the American and British landings in the Middle East in July.

Policy Toward Offshore Islands

In consonance with its policy shift toward a harder line in foreign affairs, the politburo considered the advisability of a new initiative in the Taiwan Strait. It called on Peiping's military leaders to begin a series of round-robin policy discussions on "national defense in the light of the current international situation" and the future development of the armed forces. The military committee of the party's central committee met in an enlarged conference between 27 May and 22 July.

Outside the conference, those politburo leaders concerned with formulating military policy met to decide on a tactical course. The US and UK landings in the Middle East were viewed by politburo members as providing the Chinese with an opportunity for a new initiative to probe American determination to help the Nationalists defend the offshore islands, particularly since the United States was "committed" in Lebanon. Defense Minister Peng Te-huai "summed up the discussion," which led to a decision calling for preparations for shelling of the Chinmen complex, naval harassment of this complex and the Matsus, and attacks against any Nationalist aircraft penetrating mainland air space. The military committee "approved" the politburo's decision.

China's major military ally--the USSR--was probably informed of the decision at the top-level meeting in Peiping with Khrushchev and his military advisers. Mao and Khrushchev engaged in a series of meetings which lasted from 31 July to 3 August, during

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which decisions presumably were made on how to coordinate the Chinese probe with Soviet diplomatic efforts against the West. The USSR was to lend its support to the Chinese move indirectly by suggesting to foreign diplomats that the Nationalists were becoming "provocative" in the Taiwan Strait and were being encouraged by the United States. Moscow was to direct other Communist regimes to follow a similar line.

As Chinese Communist air activity began to increase in the strait, Peiping's propaganda machine stated that the "liberation" of the offshore islands and Taiwan was an "urgent" matter. A belligerent article in the Chinese theoretical journal Red Flag in mid-August boasted that the Communists were not afraid of American A-bombs, while a Communist newspaper in Hong Kong warned that the South China Fleet was prepared to attack the Chinese Nationalist Navy.

On 23 August, the day of the first major barrage against Chinmen, Foreign Minister Chen Yi assured foreign diplomats in Peiping, "We will take those offshore islands!" Chou En-lai in September deliberately attempted to create the impression that unless the United States forced Chiang Kai-shek to withdraw his troops from Chinmen, the Chinese Communists would attack the islands and any American military forces seeking to support the Nationalists. Chen Yi's statement and Chou's effort were clearly intended to carry out the politburo decision to probe American willingness to stand firm in defending the Nationalists.

The precise timing of the first major shelling may have reflected another decision probably made at the late August

session of the politburo, namely the push ahead in the program to form communes. By 6 September the slogan "Liberate Taiwan" was being used by local Communist party members to convince the people they should enter military-type communes and work for the coming war effort. The slogan was a key theme at the Supreme State Conference, convened on 6 September, which called for nationwide "mobilization."

A series of statements by top American officials and the "beefing-up" of the Seventh Fleet made it clear to the politburo that if an attack was ordered against the offshore islands, the United States would commit its forces. Peiping therefore decided to back-track. Premier Chou En-lai was designated by the politburo to state in his 6 September reply to Secretary of State Dulles' 4 September statement at Newport (which implied that the United States would regard an attack on Chinmen as preparatory to an attack on Taiwan and therefore a reason for war) that Peiping was ready to resume ambassadorial talks with the United States.

The decision to agree to reopening talks was made by the politburo after consultation on the night of 4 September and at resumed consultations and discussions on 5 September. The politburo itself acted in the fast-developing situation; it did not convene a plenum to inform central committee members formally of the decision to avoid a military clash with American air and naval units. There was simply not sufficient time for round-robin discussions, the hearing of various views, and the drafting of lengthy reports.

The peaceful overtures were combined with warnings designed to head off a military

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clash with the United States. The Chinese leaders probably sent a communication to Moscow through Ambassador Liu Hsiao. Pravda stated on 5 September that the Soviet Union would not quietly watch American military operations in the Pacific, "whose waters also wash Soviet shores." Soviet Premier Khrushchev wrote President Eisenhower on 7 September that an attack on China "is an attack on the Soviet Union."

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[redacted] on 19 September in the strongest official Soviet statement ever directed against the US Government: Khrushchev wrote Eisenhower that "may no one doubt that we will completely honor our commitments" to China as stipulated in the 1950 Sino-Soviet treaty of alliance; if China falls victim to nuclear attack, "the aggressor will at once get a rebuff by the same means."

In addition to invoking the Sino-Soviet alliance as a deterrent to attack by the United States, the Chinese on 4 September proclaimed a 12-mile territorial limit, placing the offshore islands clearly within Chinese Communist jurisdiction. On 8 September the Foreign Ministry was directed to start its numbered "serious warnings" of US "intrusions" into claimed waters. The politburo was convinced that one way to avoid the risk of engagement with American forces was to discourage the United States from allowing its naval vessels to escort Chinese Nationalist resupply ships to the offshore islands.

The party leaders, at politburo meetings in late September and early October, delineated in some detail a policy of political rather than military struggle against the

United States without agreeing to a cease-fire. They failed in their attempt to interdict the resupply effort for the Chinmens and were unwilling to risk greater US involvement. Odd-day shelling, they decided, permitted them to use artillery as a political weapon--to prevent the status quo from appearing "frozen" while keeping hostilities at a minimum.

Above all, it was to be made clear to the United States that Peiping had no intentions of starting a major war. Foreign Minister Chen Yi was directed to communicate this attitude to the United States through a visiting Canadian journalist. At a five-hour interview on 30 October, Chen told the journalist that "peaceful means" of approaching the Nationalists would prove effective.

The effect on local party members of this backdown in the Taiwan Strait situation became a matter of concern to the politburo, which had operated without keeping the central committee fully informed. It was agreed that Chou En-lai should present a rationalization designed to make the retreat look more like a rebuff to the United States. Members and alternate members of the party central committee and heads of national governmental and party organizations, as well as provincial and municipal propaganda chiefs, rushed to Peiping to attend the hastily convened meeting of the party's propaganda department.

To help party members to a "correct understanding of the present struggle in the Taiwan Strait," Chou discussed Mao's new book, "All Imperialists and Reactionaries Are Paper Tigers." Chou cited a series of events going back to World War II "to prove" Mao's thesis that imperialist nations are really hollow shells which will

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"eventually" collapse. Follow-up commentary in People's Daily--the daily organ of the propaganda department--carried the key statement that, as Mao has put it, "Strategically we should despise all enemies; tactically we should take them seriously." In other words, the United States is a "paper tiger" that "can still bite."

When the central committee was called together in late November, the politburo informed the members that China needed at least "ten years of peace" in order to develop its economy. The central committee

plenum then considered the reports read by politburo members, which stated that with the first phase of the "rush to communes" completed, the serious work of modifying commune procedures and commune organization must now be undertaken--together with the work of relieving food shortages and transportation difficulties. This concentration of the economic situation in the country facilitated the politburo's effort to minimize the Taiwan Strait backdown. Despite this reversal, the "hard line" foreign policy was continued into 1959.  25X1

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**JORDAN RIVER DEVELOPMENT**

The long-dormant dispute over use of the Jordan River waters has become a pressing issue in Arab-Israeli relations. Israel, for economic reasons, is proceeding unilaterally with a development project which will eventually divert large quantities of water from the river to the Negev desert for irrigation. This has awakened the Arabs to the need for considering now any long-range countermeasures, particularly any large-scale construction for diversion projects of their own. Bellicose Arab statements in the face of Israel's determination to carry out its plans have increased tension and the likelihood of incidents.

Recent Political Background

The problem of developing and equitably distributing water from the Jordan River has been, until recently, a relatively quiescent issue. Eric Johnston's mission on behalf of President Eisenhower, beginning in 1953,

resulted in a plan for unified development of the river valley, but although technical agreement on the plan was virtually achieved, the Arab League Political Committee late in 1955 refused to approve it on political grounds. Israel, which had accepted the plan, subsequently discontinued river diversion work it had started on its own, in the face of threatened Arab military action.

Other water resources in Israel, however, now are almost fully exploited. Accordingly, Israeli Finance Minister Eshkol announced last November that diversion, with or without Arab agreement, of water from the Jordan River for irrigation purposes had become a top-priority project for his government. Work on "stage one" of the project had already begun.

The Arab states reacted immediately. Their press spoke of possible military action to avert a "fait accompli," and the

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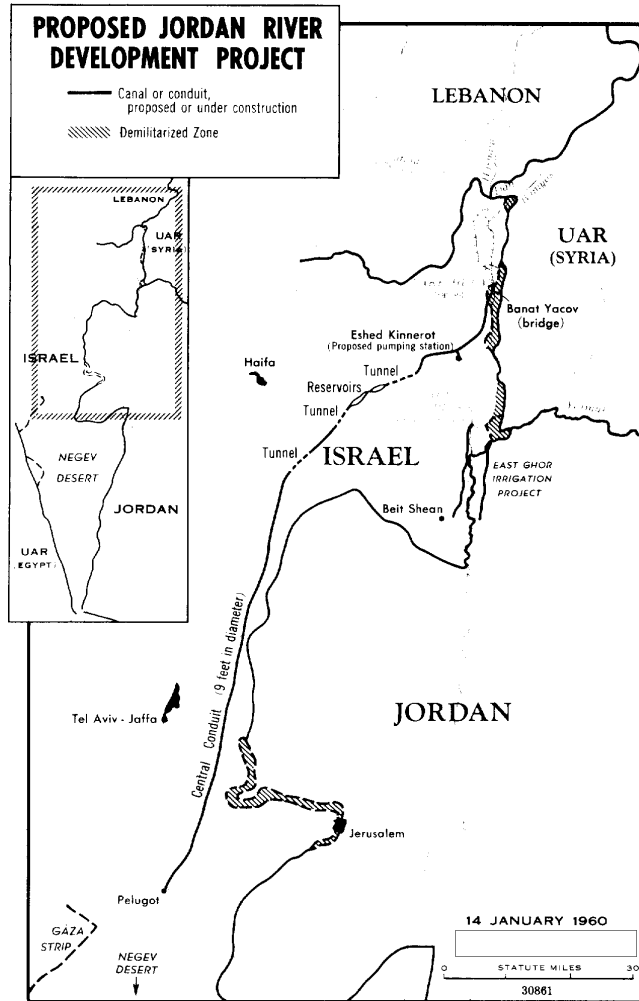
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United Arab Republic formed a committee to make a technical study of means of diverting waters from the river's source streams before they leave Arab territory, in order to deprive Israel of access to them. At Cairo's initiative, a tripartite study committee was also formed, with representatives from Lebanon, Jordan, and the UAR--the Arab riparian states.

These committees now have concluded their studies, and the UAR Foreign Ministry has requested that the Arab League Council be convened to discuss the matter preparatory to taking whatever measures it determines necessary to thwart Israel's plans. If a special session is not called earlier, the subject has been included on the agenda of a foreign ministers' council meeting planned for early February at which the over-all Palestine problem is to be discussed. Among courses of political action to be considered are submission of the question to the UN Security Council, to the General Assembly, or possibly to the International Court of Justice.

Israeli Foreign Minister Golda Meir, in a December speech in the Israeli parliament, responded to this Arab activity by asserting that development of her country's resources was an elementary right which Israel would execute "with all means at our disposal." She added

that "what we do within our borders is our business" and not dependent on "the whims of the Cairo dictator."



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Israel's Plans

The Israeli plan involves moving 320 million cubic meters (mcm) of water annually from the Jordan Valley in northern Israel, an area with a net surplus of water, to the coastal plain and arid southern half of the country--the Negev desert. When it is finally completed in eight to ten years, the project--comprising a series of diversion canals, tunnels, pumps, regulating reservoirs, and pipelines--will extend from a point on the north end of Lake Tiberias at Eshed Kinnerot to a distribution point at Pelugot, about 125 miles to the south. American experts have estimated that the entire ten-year project could be finished within two years if adequate funds were available.

Together with other development schemes, the project is expected to provide living area for a large part of the rapidly increasing population; the country's irrigated acreage would be enlarged by about 270,000 acres to a total of close to 600,000. Half of the increased population is expected to result from immigration. The Arabs fear that continued Israeli immigration will result in overcrowding and, eventually, aggressive territorial expansion. Jordan in particular is also alarmed at what it claims would be the greater salinity of the water downstream which it would want to utilize.

According to Israeli engineers, water could best be diverted from the Jordan River at the Banat Yacov bridge, about two miles downstream from the drained Lake Hula. However, that point is within the controversial demilitarized zone

along the Israeli-Syrian border, and in the past when the Israelis have tried to proceed with diversion work there, Syria threatened war and complained to the UN Security Council.

In 1953, the chief of staff of the UN Truce Supervision Organization ruled that Israel would have to stop this activity in the absence of a specific agreement with Syria on the problem; Israel thereafter said it had deferred work at Banat Yacov. Instead, it will pump the water from Lake Tiberias, which is fed by the Jordan and which is outside the demilitarized zone. An eventual pumping station was later to be situated there anyway as part of the over-all project.

"Stage one" of the project, upon completion in 1963, will pump 150 to 180 mcm of Lake Tiberias water annually to a "central conduit" system which will link at its southern end with another pipeline system extending to the Negev. The 78-mile conduit will be nine feet in diameter and is being financed in part by Israeli bonds, which are purchased widely in the United States. Israel has applied for a \$14,000,000 loan from the US Development Loan Fund for additional financing. The Israelis argue that, although this conduit would eventually be tied into the Jordan River system, the conduit could be supported without arousing Arab criticism because initially, beginning early in 1962, it would carry only water originating wholly within Israel.

The Israelis also have undertaken a smaller project involving construction of a special conduit for conveying water from the southern end of Lake Tiberias to the Beit Shean area

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on the western side of the lower Jordan Valley. They claim this is necessary in order to "replace" water which so far has been drawn from the Yarmuk and Jordan rivers but which will be siphoned off when Jordan completes its East Ghor Canal project.

Israel claims that its over-all plans regarding the Jordan River are compatible with the Johnston Plan and could be integrated with that scheme if it should be implemented. However, the government's director general for water planning has admitted that the capacity of the installations planned by Israel would permit it to withdraw much more water than had been envisioned in the Johnston negotiations. He said Israel would give the necessary assurances that it would not overdraw its quota. The Israeli concept of the Johnston Plan, moreover, differs somewhat from that of the United States. In essence, the US concept gives Jordan approximately 30 mcm more usable water annually than Israel's would allow.

Arab Plans

Israel feels it is justified in proceeding with its development plans and in requesting United States support for them because Jordan has received American financial assistance for the first phase of its East Ghor project. The Jordanian project in its initial stage, now under way, includes a tunnel and a 12-mile canal which by mid-1961 will permit irrigation of some 30,000 acres along the eastern side of the Jordan Valley--the East Ghor. Water will be drawn from the Yarmuk tributary of the Jordan River.

Other Arab plans are essentially negative. The scheme formulated by the UAR for diverting the Jordan's tributaries before they enter Israel envisages, according to press reports, two stages: first, the tributary originating in Lebanon, the Hasbani River, would be diverted by tunnel through the Lebanon Mountains into the Litani River and thence to the Mediterranean; second, a special fund financed by Arab governments and citizens would finance diversion of the Baniyas and Yarmuk rivers around Israel.

The Dan River, the largest of the three source streams above the Yarmuk, however, originates at springs on the Israeli-Syrian border and could not readily be denied Israel. The Israelis believe the Arabs could cut off up to 25 percent of the Jordan's water if their plans were carried out.

The cost of these tributary diversion schemes, in view of the geographical obstacles which would have to be surmounted, would appear to be prohibitive. The mandate of the UAR's technical committee which surveyed the problem specified that expense was not to be a deterrent, however, because of the overriding political objective. Fulfillment of the plan nevertheless appears to be an extremely remote possibility.

Both Israel and the Arabs have indicated that diversion by either side would be regarded as an act of war. In the meantime, there is danger that border tensions, particularly along the Israeli-Syrian border, will become so acute as a result of the dispute that clashes may well increase both in number and in seriousness.

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**DOMINICAN OPPOSITION MOVEMENTS**

Latin America's toughest and most durable dictator--Generalissimo Rafael Trujillo of the Dominican Republic--now faces what may be the greatest challenge from opposition movements since he consolidated his control some 30 years ago. Even his tightly organized police state has not been immune to the revolutionary ferment which has developed over the last few years in the Caribbean. Should the 68-year-old Generalissimo be removed from the scene in the near future, moreover, the other members of his regime probably could not long control the situation, and a struggle for power would result, with pro-Communist exiles and other radicals playing a prominent role.

Growing Disaffection

Over the years, Trujillo's oppressive regime has driven hundreds into exile and built up explosive forces of resentment among the close to 3,000,000 Dominicans at home, but this dissidence has been particularly marked during the past six months--a period also marked by reports of Trujillo's declining health. His armed forces--with the reported help of local peasants--crushed a 225-man attack made last June by insurgents from Cuba, but the heavy military spending he has undertaken to counter such attacks has added to his economic and political difficulties.

Military expenditures of about \$50,000,000 during 1959 --equaling about one third of the regular budget--were a heavy drain on an economy already suffering from depressed world prices for most of the country's exports. Economic deterioration has encouraged discontent, particularly among professional classes and businessmen, many of whom were already conscious of Trujillo's unpopularity in other Latin American countries.

Since the invasion attempt in June, there have been reports of sabotage in the armed forces and bombings in Ciudad Trujillo, the capital. A series of diplomatic and military defections abroad are added indications of the Generalissimo's falling prestige. In July, the ambassador to Ecuador and the first secretary of the Dominican UN delegation resigned and asked for political asylum. A month later, the vice consul at Curacao asked Venezuela for asylum, and his brother, an officer in the Dominican armed services, also defected when sent to persuade him to reverse his decision.



TRUJILLO

Within the Dominican Republic, fear of the secret police is so strong that opposition seems to be still largely unorganized.

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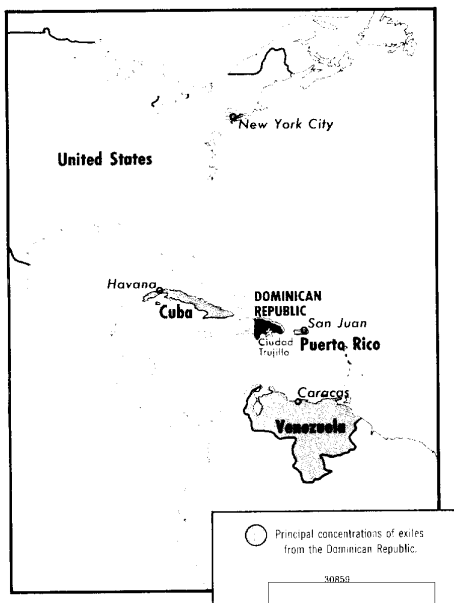
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Dominican Exiles

Substantial numbers of Dominican exiles have taken refuge in the United States, Venezuela, and Puerto Rico. Smaller groups have collected in Cuba and other Caribbean countries. Plotting among the exiles has been continuous but, until this year, divisions among them were so extensive that their efforts were ineffective. Since the



ouster of Batista in Cuba last January, the numerous exile groups have stepped up their activities and made some progress toward unity, but they are still divided into two main camps over the question of cooperating with the Communists.

Aside from the Communists themselves, who are organized as the Popular Socialist party (PSP), the most important exile organizations are the Communist-

infiltrated Dominican Liberation Movement (MLD)--which has had Cuban support--and the anti-Communist Unity Bloc of Dominican Liberation (BULD) organized in Venezuela.

Communists

The Dominican Communist party is small in membership, but it has exercised considerable influence in Dominican revolutionary activities during the past year. It is the only opposition party to have had legal status during a portion of the "Era of Trujillo." The Generalissimo invited the PSP members to return from exile in 1946, apparently hoping to create an impression that the Dominican Republic was a liberal democracy. Until he suppressed the party and imprisoned its leaders nine months later, the Communists worked hard to infiltrate labor and to organize strikes. They were supported at the time by many Dominicans simply because the PSP was the only organized opposition in the country.

After being released from prison in 1950, most of the PSP's survivors lived in Guatemala until the pro-Communist Arbenz regime was overthrown in 1954. The nucleus of the PSP then fled to Mexico, where it remained until Fidel Castro came to power in Cuba, at which time its headquarters reportedly moved to Havana. There it has capitalized on Cuban demands that all Dominican opposition movements be represented in a common front in order to receive Cuban support. The other two exile groups are divided over whether Communists should be included in anti-Trujillo plans.

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Dominican Liberation Movement

The Dominican Liberation Movement was formed early in 1959; an MLD commander led the June invasion force of Dominicans, Venezuelans, Puerto Ricans, and Cubans. The leading element in the MLD is the Communist-infiltrated Dominican



Dominican Exiles at Pro-Castro Rally in New York

Patriotic Union (UPD), which is probably the strongest of the exile organizations, and has branches in New York, Caracas, and Havana. After refusing an invitation extended last May by a bloc of non-Communist exiles to join in an anti-Trujillo front, the UPD and the Communists formed an alliance through their affiliation in the MLD. Other MLD affiliates are a group in Venezuela (the FIDDV) and the United Dominican Democratic Front (FUDD), which has a Mexican and a New York branch.

The MLD's seven-member executive council includes one man suspected of Communist party membership, and the council's president, Francisco Castellanos, has repeatedly been termed a fellow traveler. The non-Communist leaders in the MLD cooperate with the Communists because they believe that no attempt to oust Trujillo is likely to succeed without the combined efforts of all exiles. Some of the non-Communists are actively trying to prevent the Communists from dominating the MLD, but the Communist minority is experienced and energetic and will probably continue to exer-

cise disproportionate influence, especially if it should again receive backing from leftist Cuban officials and military leaders, as it did prior to the June invasion.

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Since the failure of the June invasion, the MLD has directed its efforts toward achieving the diplomatic isolation of Trujillo's government and to explaining the program it hopes to put into effect after Trujillo is overthrown. Its representatives have traveled to Peru, Colombia, Ecuador, Chile, Uruguay, and Argentina-- as well as the United States-- to arouse public opinion against Trujillo. In some of these countries, especially Colombia, attempts are being made to recruit men for future invasion attempts.

Spokesmen for the MLD assert that their program has no quarrel with the Catholic Church and will recover property stolen by the Trujillo family, start a program for land reform, sponsor a free labor movement, promote representative democracy, and reform the school system so that it will build up a "national conscience." There is evidence that the MLD is in communication with anti-Trujillo elements in the Dominican Republic.

The BULD

The Unity Bloc of Dominican Liberation was formed at Caracas in March 1959 purportedly to achieve unity among

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anti-Trujillo forces. However, the backbone of the BULD--the old Dominican Revolutionary party (PRD)--opposes giving the Communists a voice in revolutionary affairs. The PRD or some of BULD's smaller affiliates have branches in New York, Caracas, Havana, and Puerto Rico.

The leadership of BULD, although it contains colorful old revolutionaries such as PRD members General Miguel Angel Ramirez and Juan Bosch, is somewhat tarnished as a result of its long record of failure in ousting Trujillo. The dominant PRD's political orientation is left of center and has been likened to President Romulo Betancourt's Democratic Action party in Venezuela and ex-President Jose Figueres' National Liberation party in

Costa Rica. The PRD has friendly relations with the International Confederation of Free Trade Unions and the Inter-American Regional Organization of Workers. It is likely that Betancourt and Figueres would support BULD if they believed it had some chance of success.

However, General Ramirez and other anti-Communist exiles in Cuba have been denied Cuban aid and frequently are harassed by the authorities there in their thus-far-unsuccessful attempts to organize an invasion force. For the time being, it appears that the main possibility open to the non-Communist exiles is to use their influence in the free world labor movement to press for a world-wide transportation and communication boycott of firms serving the Dominican Republic.

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