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CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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T H E W E E K I N B R I E F

PART I

OF IMMEDIATE INTEREST

EAST-WEST RELATIONS Page 1

Khrushchev's ambiguous remarks on Germany and Berlin in his Djakarta press conference on 29 February did not in fact modify his previous statements on these subjects which have carefully avoided directly linking a threat to sign a separate treaty with the outcome of the summit meeting in May. His deliberate ambiguity was apparently designed to elicit the Western press speculation that Soviet action is dependent on the summit results. Moscow's strong reaction to reports that the United States would resume flights in the Berlin air corridors above 10,000 feet suggests that the Soviet leaders view this as an opportunity to test Western unity in the pre-summit period and, if possible, inject the East Germans into technical discussions on flight procedures.

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KHRUSHCHEV CONTINUES TOUR OF ASIA Page 4

Although both Premier Khrushchev and President Sukarno reportedly were disappointed in the reception given Khrushchev in Indonesia, his visit ended in an atmosphere of harmony. The joint statements signed at the conclusion gave the Soviet leader material for his propaganda mills and assurances that Indonesia will continue its policy of nonalignment. In return, Khrushchev offered a \$250,000,000 credit and Soviet support for Indonesia's claims to West Irian. En route from Indonesia to Afghanistan, the last country on his four-nation tour, Khrushchev stopped for talks with Nehru in Calcutta.

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MIDDLE EAST HIGHLIGHTS Page 5

Tensions between the UAR and Israel have eased somewhat the past week, but a modified military alert is still in effect on both sides. Israeli officials have been in Paris attempting to obtain additional military equipment; they also plan to go to Britain

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The emigration of Rumanian Jews to Israel, which previously exacerbated relations between the Arab states and the bloc, has been quietly renewed. At the recently concluded Arab League meeting in Cairo, Jordan maintained complete opposition to a UAR-backed proposal to create a Palestine state and army. In Iraq, Prime Minister Qasim has assumed the role of patron of the Iraqi Peace Partisans,

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in an apparent effort to neutralize this important Communist-front group by converting it into a nationwide non-political movement. [redacted]

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PART II

NOTES AND COMMENTS

LARGE COMMUNICATIONS TOWER COMPLEX IN EAST GERMANY Page 1

Masonry towers to house electronics equipment have been constructed at 63 locations in East Germany and more are being built. These towers, one purpose of which is to expand conventional telephone, telegraph, and broadcast services, apparently are to be used by four regime organizations, including the Ministry of Defense. The military may use some of these towers for transmitting radar signals for air defense and command and control signals for guided-missile purposes. [redacted]

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POLISH WORKER DISCONTENT BECOMING MORE WIDESPREAD Page 3

Worker discontent in Poland is growing as the regime carries out its policy aimed at stepping up industrial production with only minor increases in the labor force. Sporadic work stoppages have already taken place in several industrial areas; these have been brought under control by the threat of punitive measures, including dismissals and blacklisting. Unrest is likely to become more serious, as workers in several key industrial establishments in Poznan are reported to have met to decide on a coordinated protest against wage cuts resulting from higher work norms. [redacted]

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COMMUNIST CHINA SPEEDS CONSTRUCTION IN ELECTRIC POWER INDUSTRY Page 3

Communist China is making a major effort to expand its electric power industry. Progress in power-plant construction during the past two years has reflected this new emphasis, and China's generating capacity and output of electricity in 1959 were almost twice the 1957 levels. The present tempo of construction can be expected to bring roughly another doubling by 1962. [redacted]

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PEIPING LAYING THEORETICAL FOUNDATION FOR ECONOMIC PROGRAMS Page 5

Recent announcements by Peiping suggest that the campaign to provide a theoretical basis for present economic programs has been intensified. The major feature of

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the campaign is a renewed emphasis on "the thought of Mao Tse-tung" as the motivating force behind the "leap forward." The forthcoming joint meeting of the National People's Congress and the National Committee of the Chinese People's Political Consultative Committee will provide an opportunity for launching a new drive for greater communalization and for consolidating the theoretical foundation of the "leap forward." Moscow has been reluctant to acknowledge the "thought of Mao Tse-tung" as a contribution to Marxism-Leninism and will find these renewed claims unpalatable.

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CHOU EN-LAI ACCEPTS NEW DELHI AS SITE FOR TALKS WITH NEHRU Page 7

Chou En-lai seems intent on convincing Nehru and the Indian public that agreement can be reached on principles and procedures for settling the border dispute. Chou's letter on 26 February accepting New Delhi as the site for talks with Nehru in April was conciliatory and seemed intended to lend credibility to Peiping's oft-stated readiness to negotiate a "friendly" settlement. Nehru has welcomed Chou's decision, although he reportedly expects no tangible results from the meeting

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Both leaders probably will attempt to gauge each other's commitment to territorial claims and create a favorable climate for further discussions.

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ELECTORAL PREPARATIONS IN LAOS Page 8

The government of Laos is making some progress in preparing for the parliamentary elections scheduled for 24 April. Gerrymandering of electoral districts to minimize Communist capabilities is nearly completed, and the regime is attempting to develop a single slate of government-approved candidates. There now are indications that the Communist-front Neo Lao Hak Sat may decide to present candidates before the 9 March filing deadline.

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Communist insurgent influence and activity are more widespread than the government admits, and in large areas of the countryside, the insurgents may be in a position to disrupt the elections or intimidate the populace.

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RATIFICATION OF US-JAPANESE SECURITY TREATY STALLED . . . Page 9

The Japanese Socialists, aided by factionalism in Prime Minister Kishi's Liberal-Democratic party, have been able to stall legislative deliberations on the new US-Japanese security treaty. They hope to provoke the prime

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minister into a rash move which would arouse public opinion against him and the treaty. Kishi has been confident that procrastination by the Socialist opposition would overtax public patience and enable him to secure Diet ratification in May, but attempts by his intraparty rivals to make his resignation the price of their support could lead him to call for a general election on the issue. [redacted]

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CAMEROUN Page 10

Prime Minister Ahidjo, having secured endorsement of his draft constitution in the popular referendum held on 21 February, has set 10 April as the date for legislative elections which will determine the character of the government to succeed Cameroun's present transitional regime. In an effort to ease the country's tense political situation, he has also legalized the Union of the Cameroons Population (UPC), the militant nationalist party banned by the French in 1955. At the same time, local and reinforced French forces are stepping up military operations against UPC extremists and other rebels in the southwest. [redacted]

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MOROCCAN GOVERNMENT REORGANIZATION Page 11

The earthquakes at Agadir apparently have delayed the pending cabinet reorganization in Morocco. King Mohamed V, who usually moves with caution, is reported to have accepted the resignation of Premier Abdullah Ibrahim and to be about to name Si Mohamed M'Barek Bekkai to head another caretaker government which would serve until after elections in May. These elections, the first to be held in Morocco, should provide more reliable information on the distribution of party strength throughout the country.

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FRANCE-ALGERIA Page 12

Algerian rebel chief Ferhat Abbas' 29 February pronouncement on conditions for a cease-fire has been generally well received in France, where renewed hope of a settlement based on self-determination will probably revive speculation on the possibility of early formal meetings. The two sides remain far apart, however, on whether discussions of political guarantees will be included in cease-fire talks. On his current tour of French military field installations in Algeria, De Gaulle is probably trying to gauge army opinion on the aftermath of the January insurrection and on new moves toward self-determination. [redacted]

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CABINET MAKING IN ITALY Page 13

While negotiations to replace the Segni government are only in their initial stages, the outlines of Christian Democratic strategy are beginning to emerge. As indicated by the program adopted by the party's national directorate on 27 February, the Christian Democrats appear to be working toward a coalition with the Democratic Socialists and Republicans, and depending on the parliamentary abstention of the Nenni Socialist party.

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ANGLO-GERMAN RELATIONS Page 15

The latent ill feeling between Britain and West Germany has again been stirred up by Bonn's moves to obtain military facilities in Spain. This British criticism of this move, following closely the London press campaign over anti-Semitic incidents in West Germany, has in turn raised German resentment to a postwar high. The British Government is increasingly reluctant to permit German military power to exceed the restrictions in the 1954 Western European Treaty, and this attitude is likely to be accentuated by the public indignation over the Spanish - West German talks in Madrid.

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PART III

PATTERNS AND PERSPECTIVES

TRANSPORTATION IN THE SOUTHEAST COASTAL AREA OF CHINA . . Page 1

The railroads built in the last few years in the Fukien coastal area of Communist China, opposite Taiwan, now are the most important means of transport serving the economic and military needs of the area. They appear adequate to support present levels of economic activity and, together with lines now under construction, projected levels. They are also providing improved logistic support to the armed forces in the area. The highways and waterways of the area, while decreasing in importance, are still major traffic arteries in many localities and are being improved. Timber is the principal product moving out of Fukien, while shipments of a military nature make up an important part of incoming goods.

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NATIONALIST CHINA'S TAIWANESE PROBLEM Page 5

The Chinese Nationalist Government during the last three years has shown growing concern over relations between the native Taiwanese and Chinese mainlanders on Taiwan. This concern stems partly from demands for

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political rights by the Taiwanese, who constitute the majority of the island's population, and partly from the induction into the armed forces of greater numbers of Taiwanese, who cannot share the mainlanders' desire to return to the mainland. If mainlander liberal elements and Taiwanese leaders unite on demands for political and economic reforms, Chiang Kai-shek may be forced to place emphasis on economic development on the island at the expense of the military organization.

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EFFECTS OF SPAIN'S ECONOMIC STABILIZATION PROGRAM Page 7

The economic stabilization program inaugurated in July 1959 has put a brake on Spain's inflation and markedly improved its balance-of-payments position. This achievement and the recent increase in Franco's international prestige have strengthened the regime's position and discouraged opposition elements. Influential cabinet ministers, however, oppose some of the program's measures for achieving economic expansion. Production levels remain low and workers are restless, fearing a worsening unemployment situation.

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WESTERN AID TO LESS-DEVELOPED COUNTRIES Page 10

Western nations are seeking to coordinate their capital exports in order to increase the effectiveness of free-world aid to less-developed countries. Although such free-world economic assistance is estimated to exceed \$5 billion annually--considerably more than the cumulative total of bloc economic and military aid from 1954 to date--its effectiveness in East-West competition is greatly impaired by lack of coordinated direction and insufficient long-term financing. A meeting of eight capital exporting nations beginning on 9 March will consider, among other aspects of the problem, methods to coordinate financial contributions for priority assistance to such countries as India.

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SLOVAKIA'S AUTONOMY GRADUALLY DISAPPEARING Page 12

Slovakia's long-standing semiautonomous position within the Czechoslovak state has recently been weakened by Prague's moves downgrading administratively Slovakia's capital, Bratislava, and curtailing the Slovak party's control over its own party press and over other Slovak-language publishing activities. Although the strength of Slovak separatism compels Prague to proceed with caution, the regime has apparently embarked on a program to liquidate within the next few years the autonomous status of this fiercely nationalistic region.

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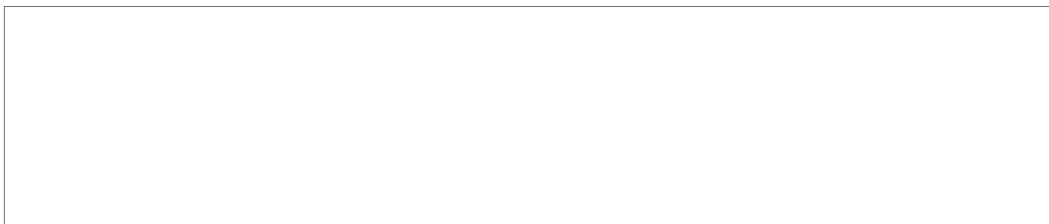
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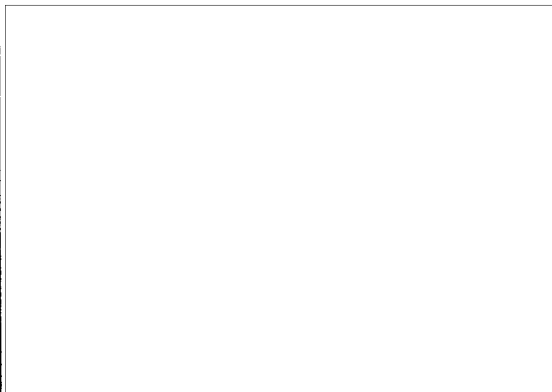
EAST-WEST RELATIONS

Khrushchev's ambiguous remarks on Germany and Berlin in his Djakarta press conference on 29 February did not in fact modify his previous statements on these subjects, which have carefully avoided directly linking a threat to sign a separate treaty with the outcome of the summit meeting in May. His deliberate ambiguity was apparently designed to elicit the Western press speculation that Soviet action is dependent on the summit results. Moscow's strong reaction to reports that the United States would resume flights in the Berlin air corridors above 10,000 feet suggests that the Soviet leaders view this as an opportunity to test Western unity in the pre-summit period and, if possible, inject the East Germans into technical discussions on flight procedures.

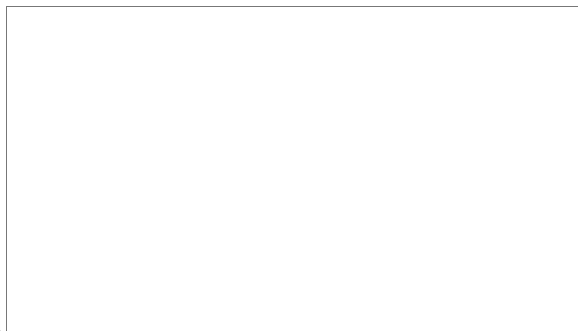
The confusion in press accounts of Khrushchev's statement arose from the fact that his reference to the USSR's intention to conclude a separate treaty occurred at the end of a passage which opened with a reference to the forthcoming summit talks. Soviet leaders frequently resort to this device of calculated ambiguity when they wish to create an impression abroad that some drastic unilateral action is imminent without actually committing the USSR to take such action. This technique was employed effectively during the Suez crisis of 1956 and the Syrian crisis in 1956 and 1957.

In contrast to such psychological warfare maneuvers to generate a sense of urgency in the West regarding the importance of preventing a failure of the summit meeting, other statements by the Soviet premier in Indonesia reaffirmed his interest in maintaining personal contacts with Western leaders. His joint statement with President Sukarno noted that the May conference would be the first of a series of such meetings. He told his press conference that although one meeting could not deal with all the issues under dispute, the May session would "make a good start."

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an official TASS statement on 25 February [redacted] seized on the announcement of the West German and Spanish military talks to allege that Bonn's policies "involuntarily bring to mind the military alliance of Hitler and Franco." Stressing that the Soviet Government has constantly warned about the "sinister danger of German militarism," the statement concluded by declaring that this collusion with Spain, aimed at obstructing an East-West agreement, "again underlines the urgent need for a peace settlement with Germany."

Moscow's prompt and strong reaction to press reports that the United States will resume flights in the Berlin air corridors above 10,000 feet suggests that the Soviet leaders view this as an opportunity to test Western unity in the pre-summit period and, if possible, inject the East Germans into any technical discussion on flight procedures.

The warning by a Soviet spokesman in East Berlin that flights above 10,000 feet, in the absence of an agreement with both the USSR and East Germany, would be regarded as a "unilateral violation of East German air sovereignty" and existing four-power agreements probably is aimed at inducing the Western powers to postpone such flights and agree to tech-

nical discussions on flight procedures with East German participation. Moscow will probably attempt to increase pressure for negotiations, as it did in 1959, by hinting that possible "incidents" might result. On the flights in the spring of 1959, American C-130s were harassed by Soviet aircraft.

The impasse over the new passes for the Allied Military Liaison Missions accredited to the Soviet forces in East Germany continues. The Soviet Union has not yet replied to the Western protest notes delivered to the Soviet commander in East Germany on 19 February, which contended that the passes violated the 1947 agreement setting up the missions.

Privately, however, the Soviet officials have continued to minimize the problem, insisting that the passes are normal administrative action and do not constitute recognition of East Germany. Soviet mission officials in Frankfurt took this approach with American army officers. They asserted that the passes are really not new but merely recognize a historical fact.

New officers assigned to the Soviet mission in Baden-Baden indicated that they planned to be in West Germany a long time, suggesting that they do not anticipate that the missions will be withdrawn soon. This pose, however, may have been intended to suggest Soviet confidence that the Western reaction to the new passes is temporary.

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Western Positions

The Macmillan government, in keeping with its disinclination to disturb the atmosphere of detente during the pre-summit period, has opposed several measures taking a firm line toward the USSR and East Germany. While agreeing to a joint policy with the United States and France to curtail visits by high-level East Germans to the West, London has issued a visa to the head of the East German news agency as the first exception to the new agreement. In discussions in Bonn, British diplomats left the definite impression that the Home Office in London, which actually issues the visas, does not consider the agreed policy as necessarily binding.

London argued for some time against early action in sending in high-altitude flights through the corridors to Berlin, and has shown a willingness to go along with new passes for its Military Liaison Missions at Potsdam. In opposing changes in Western procedures on approving flights to the Leipzig Fair, London again has shown its disinclination to "rock the boat" before the summit.

Nuclear Test Cessation Talks

Chief Soviet delegate Tsarapkin continued his efforts last week to focus negotiations at the nuclear test cessation talks on the 16 February Soviet proposal, under which the USSR would accept "temporary" standards for sending out on-site inspection teams, provided the West agrees to Khrushchev's

plan for a fixed annual quota of inspections. He asserted on 29 February that the Soviet proposal "clarified" the problem before the negotiations--agreement in principle to a quota, followed by settlement on a specific number of inspections "on the basis of rational political compromises." Tsarapkin pointed out that agreement "in principle" would not mean acceptance of any specific quota figures.

In an effort to exploit possible differences between the Western delegations, he recalled Prime Minister Macmillan's "position on the quota" and urged the British delegate to join him in trying to "convince" the American delegate to accept the quota concept "in principle."

While avoiding any mention of a specific quota level, Tsarapkin again claimed that a "small number of inspections would be sufficient" to deter any would-be violator of a test-ban treaty. He denied that the Soviet proposal implied an admission that many seismic events were unidentifiable without on-site inspection and reaffirmed the USSR's position that a large majority of events could be identified as earthquakes at the control posts.

The Soviet delegate also continued to reject the American insistence on relating the size of the inspection quota to an estimate of the number of probable seismic events each year. He charged that this reflected a "deliberate unwillingness" to reach agreement.

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On 26 February, Tsarapkin announced Moscow's "official agreement" a joint research program to improve the criteria for identifying seismic events to begin "immediately upon signature of the treaty, as long as it banned all tests everywhere." By agreeing to under-

take a research and development program even before the treaty is ratified, Moscow probably hopes to demonstrate its serious intent to cooperate actively in improving the detection and inspection capabilities of the control apparatus.

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KHRUSHCHEV CONTINUES TOUR OF ASIA

Although both Khrushchev and Sukarno reportedly were disappointed in the over-all reception given the Soviet premier by Indonesians, the tour ended in an atmosphere of harmony. The joint communiqué, technical aid agreement, and cultural accord signed at the conclusion of the visit gave Khrushchev considerable propaganda grist. In return, he offered Soviet support for Indonesia's claims to West Irian (Netherlands New Guinea) and extended a \$250,000,000 credit which, if implemented, will help shore up Djakarta's rapidly deteriorating economy.

The tenor of the communiqué suggests that one of Khrushchev's primary aims in undertaking his two-week tour was to assure a continuation of Indonesia's policy of nonalignment. The statement, almost wholly devoted to foreign relations, stressed the identity of interests on anticolonialism, discontinuance of nuclear testing, complete disarmament, and representation of Afro-Asian nations at any summit talks subsequent to the Paris meeting on 16 May.

Khrushchev does not seem to have made any effort to smooth the difficult relations between Indonesia and Communist China. He is said to have made some

critical and disparaging remarks about China, and he failed to press for inclusion in the communiqué of a statement supporting UN membership for Peiping. In discussing the desirability of Asian and African participation in summit conferences, Khrushchev lumped Communist China with India, Indonesia, and Japan as states that should be represented.

In contrast with other bloc media, the Chinese Communist press and radio have virtually ignored Khrushchev's trip. This is an additional indication of the continuing coolness between Peiping and Moscow, and reflects Peiping's resentment at Khrushchev's failure to support it in disputes with India and Indonesia. The Chinese probably also feel that the trip, coming at a time when they had begun to make their own gestures toward easing strains with these Asian countries, gives Khrushchev a large measure of the credit Peiping had hoped to gain for itself.

Khrushchev's favorable response to Sukarno's requests for aid--the Indonesian President presumably proposed the aid figure, inasmuch as this amount reportedly was used in Djakarta's plan discussions this fall--provides a timely demonstration of tangible Soviet support. The new Soviet aid will be used

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largely to underwrite the ambitious and widely publicized five-year economic development plan which Indonesia hopes to implement between 1961 and 1965.

The credit, with the usual long-term, low-interest provisions, is earmarked for projects to be built over a seven-year period concentrated in areas of primary importance to basic industrialization--iron and steel, nonferrous metals, chemicals, and light industry. The USSR's preference for assisting large, basic industrial enterprises was frequently noted by Khrushchev, who disparaged Western aid as consisting chiefly of consumer goods--i.e., food and clothing--items which Khrushchev insisted would serve only to keep Indonesia and other underdeveloped countries economically and dependent on the "imperialist powers." By concentrating its aid on construction that can be readily seen, Moscow will gain maximum propaganda benefit.

Sukarno was anxious to receive this large credit and will publicize it widely as evidence of swift and decisive action on the nation's economic problems, although it probably will be implemented only gradually. Poor Indonesian planning has prevented the country from using more than a quarter of the \$240,000,000 in economic

credits extended by the Sino-Soviet bloc since 1956, but work on some projects--including a program for aiding the establishment of an atomic energy research program, the Asian Games stadium in Djakarta, and a school of marine sciences at Ambon--will probably be intensified this year to prepare for the more important tasks envisaged by the new credit.

Indonesian Army leaders reportedly opposed the acceptance of extensive credit from the Soviet Union and tried to persuade Sukarno not to request it. Now that he has done so, however, it seems unlikely that there will be any significant army reaction.

En route from Indonesia to Afghanistan, the last country on his four-nation tour, Khrushchev stopped overnight at Calcutta where he met privately with Prime Minister Nehru and later had dinner with him and Burma's U Nu.

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25X1**MIDDLE EAST HIGHLIGHTS**UAR-Israeli Situation

The concern over possible hostilities between Israel and the UAR appears to have abated in both countries. UAR Foreign Affairs Under Secretary Ghalib informed the American Embassy on 28 February that "certain military units have been pulled

back," presumably from Sinai, and there are other indications that the UAR military alert has been relaxed. Many of the 5,000 Israeli reserves called up last week now have been released.

UAR and Israeli officials are continuing to make public and private statements denying

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any aggressive intentions, and Israeli Prime Minister Ben-Gurion is scheduled to arrive in the United States on 8 March for a private visit. Ali Sabri, Nasir's chief aide, has stated that poor management of the UAR mobilization created an unanticipated war scare in Egypt which the government now is attempting to alleviate.

Nasir's vigorous response to alleged Israeli plans to attack Syria probably has boosted his stature throughout the Arab world. The crisis also has provided Israel with an occasion for intensive arms-procurement activity. Stating that Nasir's bravado demonstrates the urgency of their military needs, the Israelis are supplementing their appeal for American equipment with requests to Paris, London, and perhaps West Germany.

On 23 February, Shimon Peres, deputy director of the Israeli Ministry of Defense, arrived in Paris for arms-purchasing discussions with French Defense Ministry officials. Former Israeli Army Chief of Staff Moshe Dayan, now minister of agriculture, also stopped in Paris en route to an appearance in Miami for an Israeli bond rally. He conferred with the French chief of staff, General Paul Ely.

There are as yet no reports on the results of these talks. The French earlier had been described as unresponsive to Israel's requests for additional arms commitments, although they were ready to honor existing contracts. A French Foreign Ministry spokesman said in December these would be fulfilled by the delivery of four or five aircraft.

Peres is to continue his quest for arms in London this week. London thinks he may ask for motor torpedo boats and ground-to-air missiles and says it will consult the United States before making any decision on Peres' request. The British agreed in 1958 to sell Israel 60 Centurion tanks, of which 30 either have been or are being sent, and they intend to provide the remaining 30 tanks and perhaps more. It is expected that the second of two submarines Israel has obtained from Britain will be refitted by early April and turned over to the Israeli Navy in June.

State Secretary van Scherpenberg of the West German Foreign Ministry, however, has told the American Embassy in Bonn that under no circumstances would the Federal Republic consider supplying heavy arms to Israel. Israel has sold grenade launchers, mortars, and submachine guns to the Germans, and Ben-Gurion said these sales were continuing. Such deals with Bonn have been an internal political issue in Israel.

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While Ben-Gurion's visit to the United States is a "private" one, he will call on both the President and the Vice President. He will also see Prime Minister Macmillan in Britain on his way home.

Israeli Immigration

The emigration of Rumanian Jews to Israel--which a year ago evoked a severe reaction among the Arab states toward the bloc as well as Tel Aviv and caused Bucharest in effect to stop the flow at that time--has resumed recently. Since last November more than 1,800 Rumanian Jews have been processed for emigration to Israel and other countries, and between 1 January and 17 February, 305 emigrés had used the route through Athens to Israel. Israeli officials in Athens are confident the emigration will continue at its present rate. Both the Israeli and Rumanian governments are avoiding any publicity about the new flow in hopes of preventing Arab protests.

Arab League

The Arab League ended three weeks of intermittent sessions in Cairo on 29 February with an announcement reflecting little real accomplishment. UAR and Jordanian differences on Palestine proved irreconcilable, and

the league finally shifted the problem to a committee ordered to complete plans "with regard to various national and international aspects of the Palestine question." A future session, possible at the end of March, is to complete discussion of the UAR-backed proposal to create a Palestine state and army. Jordan is almost certain to continue its opposition to the proposal, which, if effected, could cost it the territory west of the Jordan River and the allegiance of many of its 600,000 refugee citizens.

Cairo is going ahead with the organization of the Palestinians in Egypt, Syria, and Gaza, probably in the hope that these will eventually be capable of dominating any future Palestinian government. Nasir is compelled to keep the initiative in the face of competitive efforts from Iraq, as well as Jordan. Iraqi Prime Minister Qasim has made great propaganda play on the Palestinian question, creating a fund for the establishment of a Palestine republic and promising to restore refugee "rights," while criticizing both Nasir and Jordan's King Husayn for alleged inaction. Husayn has sought to sabotage any move toward a separate Palestinian state, offering Jordanian citizenship to all refugees providing they live in Jordan and not in the UAR or Lebanon.

By comparison, the UAR's moves have been more direct. The Damascus press of 29 February carried the views of Gaza Mayor Munir Rayyis, who has just completed consultations with Nasir. Rayyis stated that the

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inhabitants of Gaza had been accepted into the UAR's single-party political organization, the National Union, and that plans were under way to include Palestinians of Syria and Egypt in that organization. He claimed that Palestinians in all the Arab states had shown a desire to participate in a unified Palestinian effort, suggesting that Nasir's National Union idea might eventually serve as the vehicle for such unification or perhaps the nucleus for the Palestinian state.

Iraq

Prime Minister Qasim, who declared last week that "henceforth, the Peace Partisans are abolished," now has assumed the role of the movement's patron. Baghdad on 1 March broadcast an announcement by Aziz Sharif, secretary general of the movement, that a mass meeting of the Partisans to be held in late March will be under Qasim's patronage and addressed by him. Qasim's strategy seems to be to treat the Partisans as a nationwide nonpolitical movement

in an attempt to undercut Communist control. The Partisans have functioned as the principal Communist front in Iraq. They will not be registered under the Iraqi law controlling societies and political parties and, hence, will be particularly susceptible to the caprices of the Qasim regime.

Baghdad is showing increased concern over the dismal state of the Iraqi economy, and has felt constrained to make promises that will be impossible to fulfill. Reflecting its concern, the government is giving some encouragement to business dealings with the West, and is making new attempts to resolve difficulties with Western contractors. Some contractors have been asked to undertake new jobs on which Baghdad wants quick, reliable performance. A recent Czechoslovak offer of a \$30,000,000 credit will make it possible for the Iraqi Government to carry out quickly a number of small projects having an immediate domestic propaganda value.

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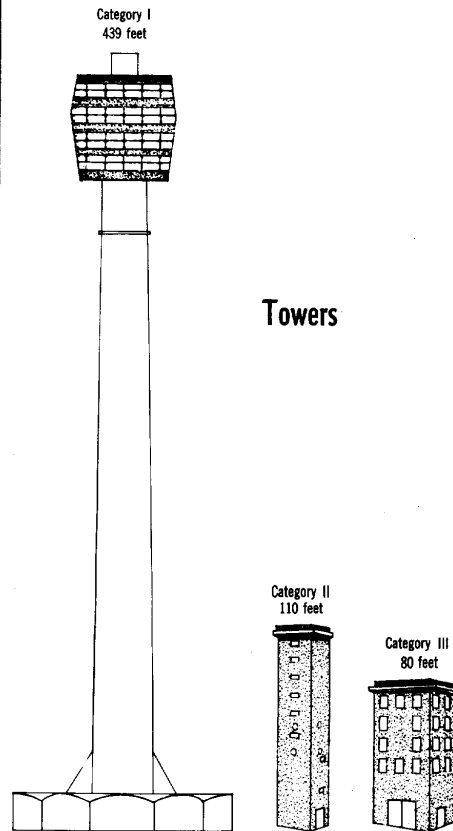
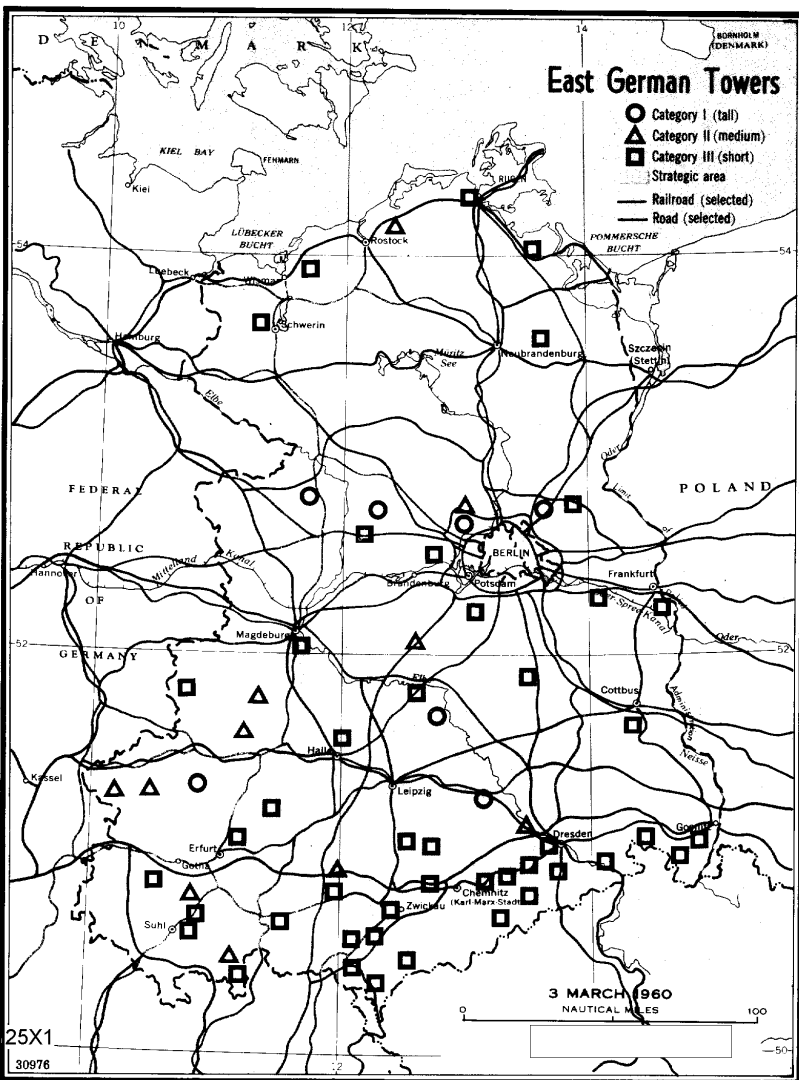
PART II

NOTES AND COMMENTS

LARGE COMMUNICATIONS TOWER COMPLEX IN EAST GERMANY

A complex of masonry towers to house electronics equipment is being constructed in East Germany. Towers have already been built at 63 locations, and more are to be erected. Seven of them are tall--nearly 440 feet high--and are to

be used largely for television broadcasting; the 45 short towers apparently will be used to expand telecommunication and broadcasting services. Both types could be used for military purposes. All the towers are remote from cities, are



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served by good roads, and are surrounded by heavy security restrictions.

The towers are apparently intended for use by four distinct organizations: the Ministry of Post and Telecommunications (MPT), the central committee of the Socialist Unity (Communist) party (SED), the Ministry of Defense, and the State Radio Committee. Some of the towers serve more than one user for more than one purpose, indicating the high-level integration of the program.

The towers will be organized into two groups to enlarge the microwave radio relay networks of the MPT and the SED. The tall towers will be used in the enlarged MPT network. It will include three connected "round-robin" rings--the northern, middle, and southern--designed to improve operational reliability of the public telephone, telegraph, and local network television services.

When the program is completed, television service will be greatly improved in quality and will cover more than 80 percent of East Germany and a considerable area in West Germany.

All of the medium and most of the short towers will be used in the enlarged SED network, which carries telephone and telegraph traffic between party headquarters in East Berlin and the 14 districts of the country and subordinate offices located in the 215 counties. Employing eight-channel telephone equipment, this network will extend the coverage, improve the reliability, and strengthen the physical security of party communications.

Some of these towers appear to be intended for specialized purposes as well. The tall towers could be used by the military to transmit radar signals for air defense, command and control signals for guided missiles, and signals for electronic countermeasures and jamming.

Some of the short towers may close the southern ring of the microwave radio relay network of the MPT. Others near the West German border probably will be used to jam West German radiobroadcasts. All medium and short towers serving the SED probably will be used also by the Ministry of Defense in a special air-defense network as part of a long-range program to integrate microwave radio relay facilities with a "hardened" underground coaxial cable line. An over-all system, probably with connections to Moscow and other bloc areas, would greatly improve the reliability of bloc communications.

The construction of tall towers in East Germany is believed to be part of a program of the Organization for Cooperation Among the Socialist Countries in the Fields of Post and Communications. This organization is mainly concerned with standardizing, integrating, and expanding the telecommunications networks of the countries of the Soviet bloc.

Similar complexes may be under construction in other bloc countries. Tall towers being built in Poland, Czechoslovakia, and the USSR are to be used for microwave radio relay communications and television broadcasting and possibly other functions.

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POLISH WORKER DISCONTENT BECOMING MORE WIDESPREAD

Worker discontent in Poland is growing as the regime carries out its policy aimed at stepping up industrial production with only minor increases in the labor force and at reduced costs. Spontaneous and unorganized work stoppages in several industrial areas in recent weeks--Poznan, Wroclaw, Lodz, and Czestochowa--have been brought under control by the threat of punitive measures, including dismissals and blacklisting.

Unrest is likely to become more serious, however, as workers from five key industrial establishments in Poznan--including those at the Cegielski Works, where the riots of June 1956 began--reportedly met to decide on a coordinated protest if the wage cuts resulting from higher work norms remain in effect through the 10 March pay day.

The most serious work stoppage thus far occurred at the railway repair shops and railway yards at Poznan on 19 and 20 February. This strike was only partially effective, as a number of workers on the second and third shifts refused to participate. The management reacted firmly, rejected the workers' demands, and summarily fired about 30 leaders of the demonstration as "undesirable elements." The threat of blacklisting

and further dismissals was sufficient to end the strike. The Poznan press claimed that the work stoppage was caused by a few troublemakers, and that the workers themselves brought those persons into line at special meetings of "Worker Self-Government Conferences."

The policy of retrenchment adopted at the party central committee's third plenum last October is designed to make Polish industry more efficient. Under the wage reforms, workers may be expected to work harder at no increase in pay, and in many instances harder work may result in decreased wages. These wage reforms are to be applied slowly, however, and will extend into 1961 or after. A number of workers have been laid off in an effort to cut production costs and raise efficiency, and this has caused unemployment in several areas.

Although strikes are technically legal in Poland, Gomulka himself has warned that they serve the interests of the "enemies of socialism." The 1960 plan indicates that Warsaw intends to continue its retrenchment policy. It calls for substantial increases in production with only a slight increase, if any, in employment. Some industries plan a 5-percent production increase with a 20-percent decrease in employment for the year.

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COMMUNIST CHINA SPEEDS CONSTRUCTION IN THE ELECTRIC POWER INDUSTRY

Communist China is making a major effort to expand its electric power industry. The accelerated pace of economic development of the past two years confronted the industry

with increases in power requirements not anticipated in original plans, and the installation of additional capacity has been speeded in an effort to keep up with these requirements.

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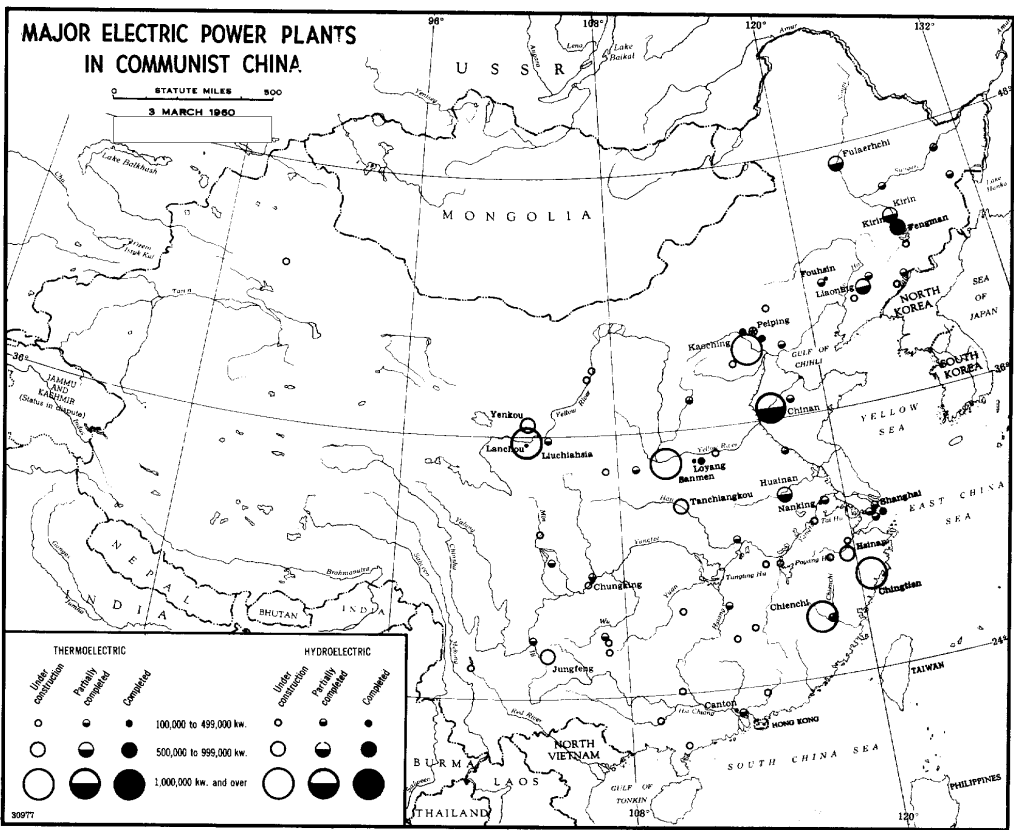
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Power-plant construction during the past two years has reflected this new emphasis and has brought considerable increases both in generating capacity and in output.

China produced 41.5 billion kilowatt-hours of electricity

Peiping has under construction or expansion 65 major power plants with capacities over 100,000 kilowatts; 14 of them will have capacities of 500,000 kilowatts or more. Five have already been completed.



in 1959, the target originally set for 1962, and generating capacity reached 8,700,000 kilowatts, or almost twice that of 1957. The present tempo of construction can be expected to bring roughly another doubling in the coming three years. The chances are good that by 1962 China will be producing nearly 100 billion kilowatt-hours of electricity annually.

At present, 14 of the 15 largest power plants in China are thermal plants, and thermal power still accounts for the major share of China's power output--82 percent in 1959. By 1962, however, hydroelectric power will play a larger role and will account for well over 30 percent of total output.

Capacity of Fengman, now China's largest hydroelectric

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plant, has been increased to 567,000 kilowatts, and work is nearing completion on the 650,000-kilowatt Hsinan River plant. Major hydroelectric projects expected to begin production this year include one at Hsinan, which will supply power to the Shanghai-Nanking-Hangchow complex; one at Huanjen in Liaoning, which will serve the industrial northeast; one at Hsinfeng, which will serve Canton; and a plant on the Ili River which will be the largest power plant in Yunnan.

Construction is also under way on seven of the 46 dam projects planned for control and development of the Yellow River. Two of these--in the Sanmen and Liuchia gorges--will have capacities of over 1,000,000 kilowatts, and the other five will have a combined capacity of over 1,000,000 kilowatts. The Sanmen project, the generating equipment for which is being supplied by the USSR, is expected to be in operation in 1961, and the power plant at Liuchia should be in operation the following year.

Work on plans for development of the Yangtze River has been in progress since 1955, but no formal construction schedule has been announced. One proposal envisages a single high dam at Three Gorges with a reservoir of over 100

billion cubic meters and a power plant rated at more than 20,000,000-kilowatt capacity. However, the huge investment--almost \$5 billion--the flooding of ten cities including Chungking, and other problems cast doubt on the feasibility of such a project.

Work is already under way on hydroelectric projects on a number of tributaries of the Yangtze. Initial construction has been concentrated on the Min, Wu, Hsiang, Han, Yuan, and Ili rivers. Projects on the Ili will have a total generating capacity of 330,000 kilowatts and will supply mining and manufacturing industries in northern Yunnan, including an important copper installation at Tungchuan. The 290,000-kilowatt Tsuningpu project on the Min River will serve Chungking and Chengtu. A 1,000,000-kilowatt plant on the Yuan River in central China and a 900,000-kilowatt plant at Tanchiangkou on the Han will supply the industrial centers of Wuhan and Tayeh.

The largest power plant planned for China in the near future now is under construction on the Chienchi River in northern Fukien. This 1,200,000-kilowatt plant will be about one tenth larger than the Sanmen Gorge project and will eventually contribute about 4 billion kilowatt-hours to the country's electric power output.

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PEIPING LAYING THEORETICAL FOUNDATION FOR ECONOMIC PROGRAMS

Recent announcements by Peiping suggest that the campaign to provide a theoretical basis for present economic programs has been intensified.

The campaign has been developing since mid-December concurrently with a decline in attacks on "rightist" opponents of these programs, suggesting

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that the authorities feel that the opposition has been disposed of for the time being and a more positive phase can now be introduced. The major feature of the campaign is a renewed emphasis on "the thought of Mao Tse-tung" as the motivating force behind the "leap forward."

People's Daily on 28 February carried an article by Vice Premier Li Fu-chun entitled, "The Mass Movement Under the Guidance of the Ideas of Mao Tse-tung." Li asserts that the great leap forward, under Mao's guidance, combines the "universal truth of Marxism-Leninism with the concrete practice of the Chinese revolution," thus linking present economic programs firmly with the party's unique use of the "mass movement." This mass movement, Li says, is permeated with the spirit of Mao's concept of uninterrupted revolution.

The Li Fu-chun article credits Mao with having drawn up the Chinese Communist party's "general line for building socialism." The article explains that Mao's "two legs" policies of simultaneous development of industry and agriculture, heavy and light industry, large and small enterprises, and native and modern methods have created a great change in the national economy. The rapid advance of the leap forward is credited to the correct handling of a series of contradictions "under the leadership of the party and in accordance with the teaching of Comrade Mao Tse-tung."

The entire second page of People's Daily on 29 February was devoted to an article entitled, "How a Marxist Should Look Upon New Things." The article consisted of excerpts

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from the "classical writers of Marxism--Marx, Engels, Lenin, Stalin, and Comrade Mao Tse-tung," but omitting Khrushchev. Moscow has been reluctant to acknowledge the "thought of Mao Tse-tung" as a contribution to Marxism-Leninism and will find these renewed claims unpalatable.

An editorial note appended to the article pointed out that the development of new things "is not all smooth sailing but a process of serious struggle," and that "there are bound to be shortcomings and mistakes." The note suggests that the purpose of publishing the selections is to argue that the obvious difficulties of the leap forward have been part of a natural process.

An article in the current issue of the party's theoretical journal Red Flag furnishes further evidence of the campaign's direction. The article, entitled "The People's Commune Is a Great Creation of the Masses of Our Country," cites "historical facts and other references to prove that the people's commune is a natural product of Chinese history." The purpose apparently is to counter charges that the commune system is an artificial creation imposed on an unwilling people.

On 29 February Peiping also announced that the National People's Congress and the National Committee of the Chinese People's Political Consultative Conference would meet jointly in the latter part of March. The agenda for the meeting are almost exclusively economic and provide an opportunity for launching a new drive for greater communalization and for consolidation of the theoretical foundation now being developed for the leap forward.

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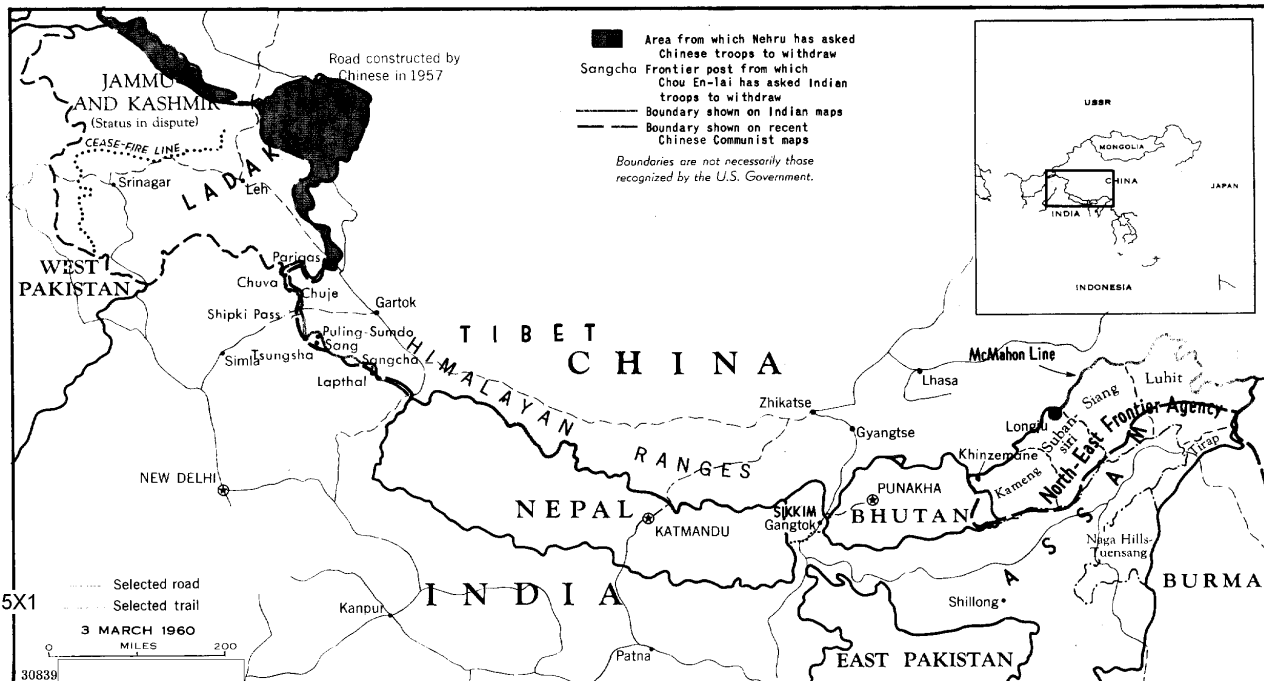
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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****3 March 1960****CHOU EN-LAI ACCEPTS NEW DELHI AS SITE FOR TALKS WITH NEHRU**

Communist China's Premier Chou En-lai seems intent on convincing Prime Minister Nehru and the Indian public that agreement can be reached on principles and procedures for settling the border dispute. In a letter devoid of the contentious claims which marked Peiping's previous correspondence, Chou wrote Nehru on 26 February that he would be "very

to Peiping's oft-stated readiness to negotiate a "friendly and peaceful settlement." It would also facilitate Chou's personal diplomacy in the meeting with Nehru--a meeting Chou has been soliciting for some time.

It is unlikely that Chou expects the April meeting to result in specific agreement on



glad" to accept the latter's invitation to hold talks in New Delhi, although "state affairs" dictated that he go in April rather than in March as Nehru had suggested.

Chou apparently hopes his willingness to go to New Delhi will be interpreted as a concession. Any accommodation would lend an air of credibility

the major areas in dispute. Rather, he probably will try to gauge the extent of Nehru's commitment to India's border claims, and he may hint that Peiping would be willing to recognize the McMahon line in the east if New Delhi eventually accepted the status quo in Ladakh. Chou also will want to create a favorable climate for further discussions. To this end he may be prepared to

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offer minor concessions on some of the small disputed enclaves in exchange for an agreement to preserve the status quo while more detailed--and lengthy--negotiations are conducted at a lower diplomatic level.

Nehru immediately welcomed Chou's agreement to meet in the Indian capital. He had assured his cabinet, who opposed any meeting outside the country, that Indian prestige abroad would benefit if Chou were to come to India. Chou's acceptance of New Delhi also makes it easier for Nehru to mollify elements in Parliament and the press who have criticized his willingness to confer with the Chinese.

The Indian press and public are likely to give Chou a chilly reception, with some open hostility. Although reaction since the announcement of Chou's acceptance has been restrained, conservative and Socialist opposition leaders had earlier warned that their groups, as well as the people in general, would refuse to go along with the government in treating Chou as a "honored guest." These groups probably will soon begin efforts to undermine Chou's mission and to prepare the public for anti-Chinese demonstrations. Government authorities, however, under strong instructions from Nehru, probably are capable of keeping such activities within bounds.

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ELECTORAL PREPARATIONS IN LAOS

The government of Laos is making some progress in preparing for the parliamentary elections scheduled for 24 April. Gerry-mandering of electoral districts in eight of Laos' 12 provinces has been completed, and the task in the other four is expected to be finished shortly. Redefinition of the electoral districts is only one of a number of devices planned to assure the return of a large anti-Communist majority in the National Assembly. Efforts are now in progress to develop a single slate of candidates which the regime will endorse and support.

The old-guard Rally of the Lao People (RLP) and the reformist Committee for Defense of National Interests (CDNI) have each prepared a list of possible candidates for inclusion on the single slate. An electoral committee composed of Deputy Premier Nhouy and three other cabinet ministers will shortly choose from these lists the strongest candidate for each of the 59 assembly seats at stake. Others will be encouraged to withdraw, possibly through financial inducements or the offer of government posts. Although this method of screening

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candidates will not prevent some individuals from running without official endorsement, it should reduce considerably the number of candidates competing for and splitting the anti-Communist votes.

There now are indications that the Communist-front Neo Lao Hak Sat (NLHS) may present candidates before the filing deadline on 9 March. Prince Souphannouvong, titular leader of the NLHS who with other party officials is imprisoned, reportedly is considering running against former Premier Phoui. He may have to run from jail, however, since there is a good chance the NLHS leaders will not be released. In districts where the NLHS or its neutralist ally, the Santiphab party, presents candidates, the government plans to make special efforts to prevent more than one anti-Communist candidate from running.

Laotian officials profess confidence that the country

will be sufficiently pacified for elections to be carried out. [redacted]

[redacted] Communist insurgent influence and activity may be more pervasive than the government realizes or admits. A USIS-led team traveling in tribal villages in Xieng Khouang Province found the villagers under constant threat of reprisal and subject to intense Communist propaganda, despite government assurances that the area was secure.

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The Laotian Army has implanted elements of its volunteer battalions in various areas of the country as a security measure in connection with the elections, but it is doubtful that their influence will be felt much beyond the main towns and adjacent villages. In the remainder of the country, the insurgents may thus be free to disrupt the elections or intimidate the populace into voting for Communist-favored candidates. [redacted]

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RATIFICATION OF US-JAPANESE SECURITY TREATY STALLED

The Japanese Socialists, aided by factionalism in Prime Minister Kishi's Liberal-Democratic party, have been able to stall legislative deliberations on the new US-Japanese security treaty. They hope to provoke the prime minister into a rash move which would arouse public opinion against him and

the treaty. Kishi has been confident that procrastination by the Socialist opposition would overtax public patience and enable him to secure Diet ratification in May, but attempts by his intraparty rivals to make his resignation the price of their support could lead him to call for a general election on the issue.

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The Socialists thus far have challenged the government to give a precise definition of the "Far East" area covered by the treaty and have objected to the treaty's 11-year duration. In the absence of constitutional or legislative provision to the contrary, they assert that the Diet has the right to amend or revise treaties. Kishi's intra-party rivals--led by Ichiro Kono, Kenzo Matsumura, and Tanzan Ishibashi--are supporting this contention.

Kishi's rivals, however, face a double handicap. The Japanese in general find military cooperation with a foreign country distasteful, but they believe close cooperation with the United States is in Japan's vital interest, politically and economically, and thus acquiesce in the security treaty. Any member of the government party who jeopardizes Japan's relations with the United States by upsetting the security arrangements would probably endanger his own chances of becoming prime minister. At the same time, Kishi's opponents recognize that, should he resort to a general election on the treaty issue, his position probably would be strengthened and their own weakened.

On 11 February Kishi reportedly agreed with Suehiro Nishio, head of the new Democratic Socialist party (DSP), not to hold an election before September, providing that party does not boycott Diet deliberations and voting on the treaty.

Kishi's apparent strategy is to allow the Socialists abundant time for objections and debate in the Diet before calling on his party's large majority to ratify the treaty. He expects a full-scale Socialist boycott of the Diet voting, but believes that the ample opportunity for dissent given to them and the DSP's participation in the voting should assuage the frequent contention among the Japanese that the government uses its majority in a tyrannical fashion.

Diet deliberations on the treaty have been suspended at least until 10 March, pending action on the national budget. Subsequently, Socialist obstructionism can be expected to continue, but Kishi is confident that he can overcome it and obtain ratification of the treaty without change by the end of the Diet session on 26 May.

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CAMEROUN

Political activity will increase in Cameroun now that Prime Minister Ahidjo has set 10 April as the date for legislative elections which will determine the character of the government to succeed the present transitional regime. Ahidjo's announcement came three days after the endorsement by

national referendum of his government's proposed constitution for Cameroun, which gained its independence on 1 January. This constitution, like its French model, provides for a powerful presidency--probably the goal of Ahidjo--a government headed by a prime minister, and a legislature with limited powers.

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The balloting on the constitution was the first test of the political strength of the present moderate government. The results--an over-all affirmative majority of 60 percent but a majority of negative votes in the more advanced southern area--reflect the basic regional cleavage in this former French trust territory.

However, the participation of a record 75 percent of registered voters was a victory of sorts for Ahidjo, a Moslem from the north, in that it revealed the lack of significant popular support for his chief foe, Felix Moumie, leader of the terrorist wing of the militant nationalist Union of the Cameroons Population (UPC).

Moumie and his associates, whose principal headquarters have recently been in Guinea, had called for a boycott of the referendum. Having failed in his bid, Moumie later publicly called for total amnesty for the UPC, withdrawal of all foreign troops, and the freeing of all political detainees. In exchange, the extremists would end terrorism, refrain from proclaiming a "revolutionary Cameroun government," and would participate in delayed general elections.

Encouraged by Moumie's failure, Ahidjo has lifted the ban imposed by the French on the Marxist-oriented UPC in 1955 after it first resorted to major violence. This conciliatory move, aimed at promoting a reconciliation among Cameroun's diverse political

elements in advance of the April election, has been well received.

Chief beneficiaries of the UPC's restoration will almost certainly be its more moderate adherents; they have provided the backbone of the constitutional opposition to the government since they returned, under other labels, to legal political activity last year. These elements are expected to convene an early party congress to formalize their break with Moumie, and can be expected to make a major effort to demonstrate the validity of their claim to the party name and to make the UPC once again the most effective political organization in the country. Ahidjo's action may presage a move on his part to bring the UPC and other more representative southern elements into the government, possibly even before the April election.

As part of its pre-election preparations, the government has also undertaken--with the aid of reinforced French Army forces serving at the request of the Cameroun Government--a new military effort in the southwestern area, where Moumie's followers and other dissident elements are in open rebellion. British officials are supporting these operations by tightening border controls on their side of Cameroun's frontier with British Cameroons. The operations, begun on 15 February under French direction, are apparently having some success.

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MOROCCAN GOVERNMENT REORGANIZATION

The earthquakes and tidal wave which claimed nearly 6,000 lives in the southern Moroccan coastal city of Agadir on 29 February and 1 March apparently have delayed the pending cabinet reorganization. King Mohamed V, who usually

moves with caution, was earlier reported to have accepted the resignation of Premier Abdallah Ibrahim and to be about to name Si Mohamed M'Barek Bekkai to head a caretaker government which would serve until after local elections. The elections,

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the first to be held in Morocco, should provide more reliable information on the distribution of party strength throughout the country.

Bekkai, who headed the first two Moroccan governments from December 1955 until May 1958, is a member of the Beni Snassen tribe of eastern Morocco and of the rural-based Popular Movement. He has long been closely associated with the King and is a capable but undynamic administrator. Other anticipated changes are the replacement of most, if not all, left-wing supporters of Ibrahim by members of the Istiqlal party, which had refused to participate in the Ibrahim government formed as a caretaker regime in December 1958.

Ibrahim and to some extent the King are caught in the cross fire between left- and right-wing groups. Ibrahim is supported by the leftist National Union of Popular Forces (UNFP) formed in September following a schism in the Istiqlal party. The UNFP--proponent of a constitutionally limited monarchy--seeks to have the military and police forces subordinated to the government rather than to the King. Ibrahim, whose exact relationship with the UNFP is not known, may have jeopardized his political future by not

defending more vigorously the position of the UNFP.

Traditional Istiqlalists, remembering that leftist pressure on the military-police issue brought the fall of the Balafrej government 15 months ago, and with an eye to the forthcoming elections, are sharply critical of the Ibrahim government and seek the complete suppression of the UNFP. Recent police moves against the UNFP,



IBRAHIM

coupled with somewhat spurious claims of the discovery of a UNFP plot to assassinate the crown prince, apparently indicate some success in the efforts of Istiqlal and the prince--allied at least for the moment on this target--to cripple the left-wing organization.

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FRANCE--ALGERIA

Algerian rebel chief Ferhat Abbas' 29 February pronouncement on conditions for a cease-fire has been generally well received in France, where renewed hope of a settlement based on self-determination will probably revive speculation on the possibility of

early formal meetings. The two sides remain far apart, however, on whether discussion of political guarantees will be included in cease-fire talks. De Gaulle plans an immediate tour of French military field installations in Algeria.

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Abbas' 29 February speech was largely a recitation of rebel grievances against France, but reiterated the desire for a negotiated solution. It attacked any French plan involving the partition of Algeria into French and Moslem sectors, as well as the scheduling of cantonal elections for this spring. Although the declaration appeared designed largely for its propaganda effects, it reflected the rebels' concern for their following in Algeria, and a fear that cantonal elections could lead to the creation of a French-sponsored "Third Force."

The American Embassy in Tunis observes that the Algerians appear convinced that they are on strong ground in insisting on guarantees concerning their role in an Algerian referendum, both with respect to their own followers and international opinion.

Public opinion in France increasingly favors a negotiated rather than a military solution to the Algerian question, and rebel declarations are being

discussed more objectively than heretofore. Most Parisian newspapers believe Abbas wants a solution, but several moderate rightist dailies are critical of what they see as continuing rebel pretensions to be the exclusive representatives of Algeria. Rumors of negotiations are reviving, and a rebel emissary is said to be in Paris to make arrangements for the arrival of an official delegation.

During his 25-28 February tour of southwestern France, De Gaulle reaffirmed his policy of self-determination and insisted that the future of Algeria was not a topic for cease-fire negotiations. He cautioned that the consultations with all groups--to take place after the end of hostilities--to decide on the political future of Algeria would be long-drawn-out, taking "perhaps years and years before the right balance is found."

De Gaulle's current visit to military field installations in Algeria is probably designed to sound out army opinion on the aftermath of the January insurrection in Algiers. He will probably also gauge army sentiment on moving ahead with the civilian-administered cantonal elections, which have already been announced for late May or early June. He is also reassuring the army that pacification is still a prerequisite.

CABINET MAKING IN ITALY

While negotiations to replace the Segni government are only in their initial stages, the outline of Christian Democratic (CD) strategy is beginning to emerge. As indicated by the program adopted by the

party's national directorate on 27 February, the Christian Democrats appear to be working toward a coalition with the Democratic Socialists and Republicans, and depending on the parliamentary abstention of the Nenni Socialist party.

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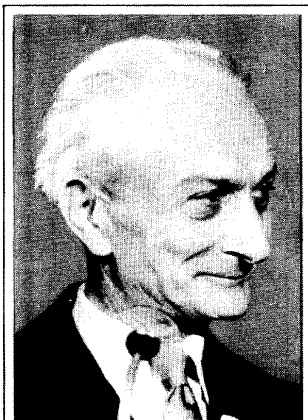


PELLA



SCELBA

Premier Segni had indicated his government's adherence to the broad general program his party adopted following the 1958 elections, but the Liberals abandoned him on the charge that he was becoming oriented to the left and that his regime failed to implement the program. The Christian



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Democrats' current program bids for support from the left by advocating full compliance with the constitution, many of whose articles have never become law, by approving "useful state intervention" in the economy, particularly in the energy

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field, by endorsing relaxation of international tension, and by rejecting the support of neo-Fascists. Rejection of support from the Communists is probably opposed by only a minority within the Nenni Socialist party.

The Christian Democratic program's concessions to the right--endorsement of "absolute loyalty to the traditional Atlantic and European foreign policy" and protection of the freedom of private enterprise--are relatively noncontroversial. An attempt will probably be made to allay rightist fears of a leftward drift by the allocation of the premiership and certain other ministries to persons--such as Senator Piccioni or former Premiers Scelba or Pella--acceptable to at least the moderate right.

It is likely that the Liberals will be unimpressed by these concessions and will join the Monarchists and neo-Facists in voting against such a government. With Nenni Socialist party abstention, a center-left coalition could win a comfortable majority unless, as is not expected, a large number of Christian Democrats should decide to split away.

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ANGLO-GERMAN RELATIONS

The latent ill feeling between Britain and West Germany has been stirred up again. Recent events seem to have largely nullified the efforts in late 1959 to improve relations-- Chancellor Adenauer's discussions with Prime Minister Macmillan in London in November, the agreements between Defense Ministers Strauss and Watkinson for increased defense production cooperation in December, and expressions of a mutual desire to resolve the incipient economic and political rivalries between the Common Market and the Outer Seven.

The revelation of Bonn's moves to obtain training and logistics facilities in Spain touched off the most recent eruption. The British press immediately protested the bypassing of NATO, especially since Bonn's moves involved Franco Spain. Foreign Secretary Lloyd made it clear that London preferred that such arrangements be made with a NATO ally, but in answering a barrage of questions in Parliament he kept the government's hands free by refusing to state that Britain would oppose in the North Atlantic Council any German military facilities outside the NATO area.

The British criticism, following closely the distorted handling by London's popular press of anti-Semitic incidents in West Germany, in turn raised German resentment to a postwar

high. The German public resents particularly the British inclination to cast Germans in the role of wartime enemies. A high Bonn Foreign Ministry official has complained to an American representative that the opposition of other NATO powers to the talks with Spain amounts to mistrust of Germany and an apparent desire to relegate West Germany to a "second-class" status.

Adenauer's attitude toward London seems more one of distrust. He feels the British are overly eager to obtain a compromise interim agreement on Berlin's future and sees their laxity in permitting travel of East Germans to Britain and their initial willingness to accept the new Soviet passes for the military missions--bearing the name "German Democratic Republic"--as further evidences of a tendency to accept the East German regime.

The Macmillan government on its part has recently been stiffening its attitude against the relaxation of Western European Union treaty restrictions of German armaments production. In particular it has been stalling on Bonn's request to raise displacement limits on combat ships from 3,000 to 6,000 tons, and a Foreign Office official has cited the British reaction to the German-Spanish talks in Madrid as likely to increase the difficulties of granting this request.

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PART III

PATTERNS AND PERSPECTIVES

TRANSPORTATION IN THE SOUTHEAST COASTAL AREA OF CHINA

In the latter part of 1954 Peiping, motivated by strategic as well as economic considerations, began construction of a railroad link between the isolated province of Fukien and the main Chinese rail net. This was the beginning of a far-reaching effort to improve the

logistic position of the armed forces in the area, to provide a means of rapidly supplying the network of fighter airfields then under construction, and to give impetus to Fukien's economic development. This move was provoked by the pressure of the Chinese Nationalist armed



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forces, which hampered the coastal shipping on which Fukien had traditionally depended.

Railroads

The Railway Engineer Corps of the People's Liberation Army started work on the 435-mile Yingtang-Amoy line in October 1954. This line, constructed through difficult terrain necessitating many expensive bridges, tunnels, cuts, and fills, was completed in December 1956. In April 1956 the Ministry of Railways started construction on a 130-mile branch line from Wukeng, near Nanping, to Foochow; this section was completed in December 1958. The two lines constitute the present rail system serving Fukien and give the province its first really high-capacity overland connection with the rest of China. They already are the most important form of long-distance transport in the area.

A number of additional lines are being surveyed or are under construction. The line to Foochow is being extended and will eventually curve northward up the coast to connect with a pair of lines being built southeastward from the Chekiang-Hunan Railroad to the sea. The first of these, which begins at Chinghua, will pass through Wenchow and then proceed south along the coast to meet the line from Foochow. Work was begun on this line in 1958. The second, on which work was begun in January 1959, begins at Yushan, roughly parallels the first, and will join it around Patu. These two lines may be finished next year.

In the southern part of the province, work is in progress on the eastern sections of what will ultimately be China's "second great latitudinal railway"--the Fukien-

Yunnan line. Construction is going on westward from the minor river port of Chuanchou, the proposed eastern terminus of the line, and from Changping. The roadbed on the latter section may be finished as far as Lungyen. Work is said also to be under way on a line south from Lungyen toward Kwangtung. Finally, a direct coastal railroad between Foochow and Amoy is being surveyed. When all these lines are completed, the rail net serving Fukien will have gained greatly in flexibility, and rail service will have been brought to within 50 miles of any point in the province.

On the basis of what is known about the present system's physical characteristics, equipment, and operating procedures, its theoretical through-operating capability is 7,300 tons each way per day, or 5,300,000 tons a year. Considerably less than this is now in use, however.

The system does have a number of important weaknesses, the most important being the bottleneck section between Yingtang and the Wukeng junction, which limits traffic on the entire line. Then, a combination of terrain and heavy seasonal rains from March to September makes the lines highly susceptible to periodic damage and interruption.

Highways

Prior to 1949, highways provided the only and very limited means of overland movement in the southeast coastal area. The Chinese Communists after they came to power concentrated first on restoring and renovating the 2,800 miles of prewar roads. A program of building new roads was launched later, and by the end of 1959 there were about 4,500 miles of fairly good motor roads in the province. In addition, there are

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2,200 miles of "simple" high-ways having little or no surfacing, few if any bridges, and little drainage. Peiping reclassified these as "motor roads" in 1958, but they are passable only by jeep and then only in fair weather.

There are four major highway routes serving the area. The coastal road which links Wenchow, Foochow, Amoy, and Swatow is of major economic importance, as it serves one third of Fukien's population. It also is of prime military importance. Under normal operating conditions, it can probably handle about 1,200 tons each way per day. A second route, a section of the old imperial post road from Hangchow to Canton, parallels this one about 100 miles inland and is still an important link between Fukien and adjacent provinces. It can handle about 850-1,200 tons each way per day, depending on the section involved.

These two major north-south routes are crossed by two major east-west routes. The more northerly, which connects Shangjao with Foochow via Chienou, can handle some 850-1,000 tons each way per day. A portion of this route will be flooded by the Chienchi dam reservoir, but an alternate route from Yushan to Foochow via Pucheng has been built. A more southerly route, connecting Changting with Lungchi and Amoy, can handle about 1,000 tons each way per day under normal conditions. Since the improvement of the railroads, Fukien's highways handle largely local traffic.

It is estimated that civilian agencies in Fukien control some 4,000 vehicles, mostly trucks. Military units in the area are believed to have about 7,500 trucks.

Except for the "simple" highways, Fukien's net is generally of good quality. The major roads are limited, all-weather roads with gravel or crushed-rock surfacing. Some

roads are not completely bridged, and this, plus the existence of a number of one-way bridges and defiles, has limited traffic. The chief weakness, however, is the mixed-vehicle park and limited repair facilities, which for civilian vehicles are confined to five main depots. Road maintenance apparently is satisfactory; Fukien was honored last year as an "advanced highway maintenance" province. The future role of the highways probably will be as a feeder to the railway and waterways. The Chinese Communists have in fact indicated that the major highway network is complete, and that future highway construction will concentrate on short feeder routes.

Waterways

Fukien has some 9,000 miles of inland waterways, 2,500 miles of which are navigable by modern powered vessels. The Min River and its tributaries--the Shachi, the Futanchi, and the Chienchi--form the principal inland water system. Modern powered vessels can make the run between Foochow and Nanping, with 100-ton vessels going as far as Shiukow--about halfway--and 40-ton vessels the rest of the way. Navigational aids permitting both night and day traffic have been erected. Cargo movement on the tributaries is accomplished by smaller vessels making shorter runs.

It is believed Fukien's inland waterways could move some 20,000,000 tons of cargo a year. Some three fourths of this total would be basic commodities moved short distances in small vessels to meet local needs; the remaining quarter would be moved longer distances in more modern powered vessels. Performance is well below this level.

Fukien has a long coastline, which traditionally has served as the springboard for contacts with the rest of China.

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Since 1949 the presence of Chinese Nationalist forces in the Taiwan Strait area has prevented Peiping's free use of coastal shipping. The Chinese Communists have 400,000 tons of coastal shipping in powered vessels of 1,000 tons or more. Only a small portion of this fleet is active in the area. Major Chinese Communist flag vessels do not call at Amoy, and the number which calls at Foochow is limited. The gap is served by a few foreign flag vessels--British and Norwegian for the most part--and by junks ranging in size from 50 to 200 tons.

The cargo-moving capability of coastal traffic is limited by the cargo-handling capacities of the principal ports. It is estimated that Amoy, the best equipped in this respect, can handle 7,600 tons a day; Amoy, however, is the place where the Chinese Nationalist port closure is the most effective. Wenchow and Swatow, which receive much cargo for onward movement to Fukien, have capacities of 5,600 and 3,000 tons a day, respectively. Foochow can manage only 1,000 tons, and various minor ports another several hundred tons a day. Thus the ports between Wenchow and Swatow can handle in the aggregate something on the order of 6,000,000 tons a year. They probably account for no more than 2,000,000 tons at present, divided equally between modern and primitive carriers.

The ability of the Chinese Communists to expand coastal service once the Chinese Nationalist threat is removed is obvious. Even without its removal, however, they could move greatly increased amounts of cargo if they would give such movement sufficient priority. The main ingredient for a sharp increase would be the provision of large numbers of shallow-draft vessels--junks for example--which could operate in coastal waters and offload without developed port facilities.

General Considerations

The authorities in Communist China have shown themselves to be fairly effective in their control of transport operations in Fukien, despite the added burden placed on facilities there by the military. On occasions, however, they have experienced difficulties in coordinating traffic among the various types of carriers. In the latter part of 1958, for example, when the demands being put on the transportation system by the "great leap forward" were at their greatest, the major transport centers in Fukien became badly congested. The response was to establish what the regime called a "unified command" to coordinate and control all modes of transport. This command may still be functioning. Prior to its establishment, separate organizations controlled rail traffic on the one hand and highway and waterway traffic on the other.

Timber is the principal item in all outgoing traffic. Lesser amounts of agricultural products, such as tea and fruit, as well as ores and other raw materials are also shipped out. Coal appears to be one of the main items coming into the area, along with manufactured goods, petroleum products, and fertilizer. Grain, cement, and other construction supplies make up an important part of intraprovince movements.

It is clear that Peiping intends to tie Fukien's economy more closely to that of the rest of China and plans that Fukien itself achieve a modest level of industrialization. Some measure of the regime's intentions in this respect may be found in its plans to erect a 1,200,000-kilowatt hydroelectric power plant on the Chienchi. Construction has already begun. The first stage of a 200,000-kw. installation near Kutien is already generating power. In addition, an iron and steel plant capable of producing 300,000 to 400,000 tons

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of steel a year is being built at Sanming.

Efforts are also being made to exploit the province's iron ore deposits, which are more important for their quality than for their size. Coal mines are being developed in an attempt to reduce the dependence of the province on coal produced elsewhere.

The total transportation picture in Fukien is steadily getting better. The transport net is growing and is increasingly able to depend on more efficient carriers. Thus rail-

ways and coastal shipping now carry the bulk of long-distance cargo movement, leaving the highways and inland waterways to take care of short-distance transport from the primary producing areas to the nearest railroad or port. The net is becoming flexible, so that when adverse weather curtails shipments on one route, alternates are often available for priority cargoes. This net, plus the additions now programmed, should be adequate to meet future economic demands and provide greatly improved logistic support to the armed forces in the area.

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NATIONALIST CHINA'S TAIWANESE PROBLEM

The Chinese Nationalist Government during the last three years has shown increasing concern over relations between the native Taiwanese and Chinese mainlanders on Taiwan. This concern stems partly from increasing demands for political rights by the Taiwanese, who constitute the majority of the population, and partly from the induction into the armed forces of increasing numbers of Taiwanese, who cannot share the mainlanders' desire to return to the mainland.

Taiwanese-Mainlander Relations

Over-all relations between the eight million native Taiwanese and the two million mainland-born Chinese remain cool, and close friendships between the adult members of the two groups are rare. Most Taiwanese have not forgotten the 1947 massacre which followed their revolt against the corrupt rule of Governor Chen Yi, and many--particularly former landowners--remember Japanese rule with pleasant nostalgia. The peasants, however, who have benefited from land reform, are more favorably

disposed toward the Nationalist Government.

The cultural differences between the Taiwanese and Chinese are sharp. Most mainlanders cannot understand the South Fukienese dialect of the Taiwanese, and the majority of Taiwanese have great difficulty understanding the Mandarin speech used by government officials. The Taiwanese resent the superior status and privileges assumed by the mainlanders, many of whom regard the Taiwanese as inferior and provincial.

Relations appear to be gradually improving. Taiwanese children are being taught the Mandarin dialect and Chinese history and culture in government schools. At the same time, many of the children of mainlanders are adopting the outlook of the Taiwanese. There is increasing intermarriage, generally mainlander men marrying Taiwanese women, apparently without loss of status for either partner.

Taiwanese Political Activity

The Chinese Nationalist Government is sensitive over

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the small, ineffective emigré groups in Japan and the Taiwanese students in the United States who openly agitate for the independence of Taiwan. It is even more concerned, however, over a revival of Taiwanese interest in political activities. The government recently suppressed the Local Self-Government Study Group, which was formed in 1957 and included many prominent Taiwanese politicians. The public aim of this group was to further democracy at local and provincial levels, an objective to which the Nationalist Government pays lip service. The group's actual purpose, however, was to develop gradually a Taiwanese opposition party to work for a self-governing Taiwan independent of mainland claims.

Kuomintang agents infiltrated the organization, and government red tape blocked requests for a charter. The only means of organized political expression now open to politically articulate independents is membership in one of the government-subsidized minority parties. This is unacceptable to the independents, who are considering a boycott of the local elections of 24 April, but absence of an effective organization probably precludes a successful boycott.

The administration also has subverted independent newspapers and magazines. The press organ of the Local Self-Government Study Group, Self-Government Research, published the speeches of opposition members of the Taiwan Provincial Assembly. Police seized issues from the newsstands and suppressed the publication. The government stifled the opposition Independence Evening News by financing the purchase by a Kuomintang stalwart of one-third control. The virtually bankrupt Kung Lun Pao, and the Free China Fortnightly, which the government endures because of high-placed influence, are

the only remaining independent newspapers fostering political opposition.

Many Taiwanese leaders have been openly critical of government suppression of political freedom. In a public attack last year, Li Wan-chu, a prominent member of the Taiwan Provincial Assembly, accused the government of failing to establish democratic rule, of restricting civil liberties and personal freedom, and of discriminating against Taiwanese in appointments to public offices, particularly the exclusion of Taiwanese from major positions in the central government. The fact that a few Taiwanese are members of the Legislative Yuan and on the central committee of the Kuomintang party has not appeased the Taiwanese.

Taiwanese in Armed Forces

Almost all of the 80,000 men inducted annually into the armed forces since 1956 have been Taiwanese. They now constitute about 32 percent of the armed forces and approximately 65 percent of the lower enlisted grades. Few Taiwanese become professional soldiers, as most of them leave after a two-year term of service, but increasing numbers probably will move into the junior officer ranks.

The government is concerned at the growing proportion of Taiwanese inducted into the services because it fears that Taiwanese troops, not having the mainlanders' drive to return home, lack enthusiasm for fighting Communist China. The government's fears were allayed when Taiwanese soldiers performed well under fire during the Communist shelling of Chinmen in 1958. It now regards Taiwanese soldiers as dependable for the defense of Taiwan and the offshore islands and believes they can be trained for offensive action. On the question

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of defending the offshore islands, however, the government must continue to consider the feelings of civilian Taiwanese who have given only reluctant public support and have privately voiced opposition.

The regime has set 35 percent as the maximum proportion of Taiwanese in the armed forces. Mainland-born youths will be available to supply most officer requirements, but ultimately the government will have to choose between accepting a higher proportion of Taiwanese in its armed forces or reducing the number of military personnel. Problems of age will make it impossible to retain the mainland veterans in service, and the army eventually will become Taiwanese.

Outlook

Taiwanese leaders are aware that vigorous political activity on their part may

generate instability, but they probably will continue to press for greater representation and seek to develop an organization into an acceptable and effective vehicle for the Taiwanese political movement, despite government harassment.

If liberal mainlander and Taiwanese leaders can cooperate in pressing for reforms, particularly in the Provincial Assembly, where political contact between the two groups is closest, the Nationalist Government may yield and modify certain of its military and austerity policies in favor of the economic development of Taiwan. If, as seems less likely, the government responds by adopting increasingly harsh repressive measures against both Taiwanese and liberal mainlanders, tensions will rise, and the present trend toward improved relations between the Taiwanese and mainlanders will be reversed.

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EFFECTS OF SPAIN'S ECONOMIC STABILIZATION PROGRAM

The success so far of Spain's economic stabilization program and the enhancement of Generalissimo Franco's international prestige through a series of diplomatic visits have strengthened the regime's position and discouraged opposition elements in their efforts to achieve united action. Production levels are still low, however, workers are increasingly discontented over the prospects of greater unemployment, and influential cabinet ministers are opposing some of the program's measures for achieving economic expansion.

Accomplishments

The program which Spain formally inaugurated with \$426,000,000 in international financial aid on 20 July 1959,

when it won full membership in the Organization for European Economic Cooperation (OEEC), now has attained the primary goal of bringing financial stability. The increase in inflation has been drastically slowed through a retrenchment in government expenditures, restrictions on bank credit, and an increase in interest rates. Prices on most commodities, with some important exceptions such as food, have been stabilized, and the heretofore rapid rise in the cost of living has been considerably slowed.

Controls on foreign trade have been loosened, and Spain's balance-of-payments position has improved. For the last five months of 1959, the country's surplus of foreign-exchange receipts was \$117,000,000, and

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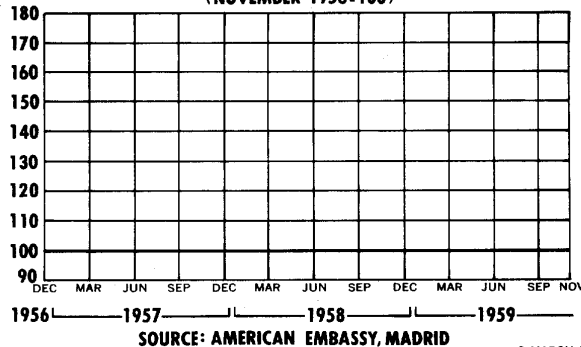
its gold and foreign exchange position improved by \$130,600,000. Of the outside financial aid made available under the program, the only amount

visits to Spain sometime this year by Adenauer and Economics Minister Erhard.

The regime is exploiting these visits, together with President Eisenhower's stopover in Madrid in December and Castiella's prospective trip to Washington in March, as indicating the end of Spain's long isolation from Western Europe, its increasingly important role in international diplomacy, and its close ties to the United States.

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SPAIN: COST-OF-LIVING INDEX
(NOVEMBER 1956=100)

**Regime Strengthened**

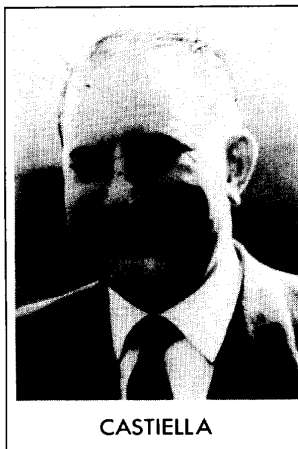
drawn was \$74,000,000 in August.

The OEEC has described the accomplishments of the program to date as "an outstanding success--achieved much sooner than was expected." Financial and business circles, however, complain that "stabilization" has been overemphasized and too little attention paid to achieving full employment and expanded industrial output.

International Prestige

Shortly after the stabilization program started, Spanish Foreign Minister Castiella began a series of diplomatic visits abroad. On his September visit to London, primarily to meet President Eisenhower, he conferred with Prime Minister Macmillan and Foreign Secretary Lloyd, and he stopped in Paris for consultations with President de Gaulle and Foreign Minister Couve de Murville. In November he met President Luebke, Chancellor Adenauer, Foreign Minister Brentano, and other cabinet members in Bonn and took part in planning for

The success of the stabilization program and Spain's improved international status have strengthened Franco's position among his supporters, particularly the



military, who might be tempted to replace him in the event of serious worker unrest. Moreover, improved prospects for increased military collaboration with other Western European countries will help reduce much of the army's dissatisfaction over the drastic

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contraction of Spain's military position in North Africa.

There probably will also be a slackening in the modest progress which non-Communist left-of-center opposition groups have apparently been making in cooperating on an anti-Franco program. The Socialists, Basque Nationalists, and several other parties reportedly accepted late last September a pact sponsored by exiled leaders of the Christian Democratic Left and Socialists. This agreement called for common action to hasten Franco's downfall without creating chaos, and pledged a provisional government to restore civil liberties and hold elections to determine Spain's political future.

The Christian Democratic right wing, under Jose Maria Gil Robles, and the Monarchists have rejected this pact. The Communists, excluded from participation as a "totalitarian force," are trying to sabotage it by inviting all opposition groups to join in planning for a nationwide peaceful strike and a similar provisional government.

The ardor of militant oppositionists for public demonstrations is likely to be dampened, however, by the rigorous treatment accorded those accused of complicity in the unsuccessful general strike of June 1959. Widespread arrests were made at the time, and severe prison sentences were meted out by military courts to several persons--mostly Socialists and Communists and including a former diplomat, Julio Ceron--on charges of having instigated "military rebellion."

Economic Outlook

The achievement of financial stability has been attend-

ed by a lag in industrial output, a reduction in hours of work, and a sharp rise in unemployment. Uncertainty over the future of the economy is making a large sector of the business community unwilling to increase investment in industrial plants and machinery. Some 250,000 persons--3.2 percent of the total labor force of 7,500,000--are unemployed,



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as compared with some 120,000 at the end of 1958. The overtime and incentive pay of workers still on the job has also been cut. Such developments have had a disproportionate effect in Spain, where unusually low hourly wage rates have been compensated for by long hours of work and a high degree of job security. Until the beginning of the stabilization program, it was extremely difficult to dismiss regular employees who had become surplus.

Unemployment benefits are available to only a portion of those workers who have been laid off or are working part time. The government's new unemployment insurance program limits eligibility to permanent workers discharged as the result of employers' financial difficulties. The extension of this program to cover a

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reduction in normal working hours, which was approved by the cabinet on 19 February, also excludes temporary employees.

The OEEC mission which visited Madrid in December attributed the negative aspects of the stabilization program to industry's need to use up excessive inventories accumulated during the inflationary period as well as to the uncertainty of businessmen regarding the future. It felt that the present period of adjustment would soon end as inventories are liquidated, and that demand would then provide the stimulus for accelerated output.

Economic expansion is still dependent, however, on

the government's readiness to drop controls over private investment. A high official of the Commerce Ministry informed the American Embassy on 2 February that there is major opposition in the cabinet to a further liberalization of economic policy. The influential minister of industry in particular is opposed to the removal of most economic controls, as urged by the commerce and finance ministers in line with OEEC recommendations.

In the absence of a more general economic improvement in the next few months, rising labor unrest might reach serious proportions. In this event, Franco, who has retained maneuverability by not publicly committing himself to the program and has a long record of dropping unpopular ministers, might quietly drop the program.

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WESTERN AID TO LESS DEVELOPED COUNTRIES

Western nations are seeking to coordinate their capital exports in order to increase the effectiveness of free-world economic aid to less-developed countries. Although such assistance is estimated to exceed \$5 billion annually--considerably more than the cumulative total of bloc economic and military aid from 1954 to date--its effectiveness in East-West competition is greatly impaired by lack of coordinated direction and insufficient long-term financing. A meeting of eight capital-exporting nations beginning on 9 March in Washington will consider, among other aspects of the problem, methods to coordinate financial contributions for priority assistance to countries such as India.

Free-World vs. Bloc Aid

The need for improved coordination and longer term financing of Western aid is emphasized

by the growth of the Communist bloc's aid program and by payments imbalances largely attributable to the disproportionately large share of the foreign assistance burden carried by the United States. In the bloc program--totaling almost \$4 billion since 1954--purely economic aid reached a peak in 1959, is expected to rise still higher in 1960, and is to a large extent under unified direction.

Free-world economic aid, on the other hand, is predominantly directed bilaterally and is aimed largely at achieving commercial and investment advantage for donor countries. About 90 percent of Western Europe's annual \$1 billion foreign development assistance goes to colonial territories or to countries with which the contributing nation is affiliated in some way. Furthermore, the failure of Western European nations to provide adequate longer term financing of their

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capital exports--despite their sizable monetary reserves--is an important element in recent free-world payments imbalances.

It is estimated that about half the \$3.4 billion decline in the United States' gold stocks in 1958-59 resulted from payments to Western Europe of gold and dollars by less-developed countries. Substantial proportions of these means of payment had been obtained as earnings from exports to the United States or in the form of grants or loans from the United States, the International Bank for Reconstruction and Development (IBRD), or the International Monetary Fund (IMF).

Problems of Coordination

The industrial nations of the free world all participate in the expanding activities of the IMF, the IBRD, and the IBRD's prospective affiliate, the International Development Association (IDA). Their governments generally agree that they should contribute a larger share of the aid to less-developed countries and relieve some of the burden now borne by the United States. However, most industrial nations have themselves only recently been aid recipients and are preoccupied with preserving their own economic and financial gains. Thus they hesitate to extend aid on a scale and on terms appropriate to their present means.

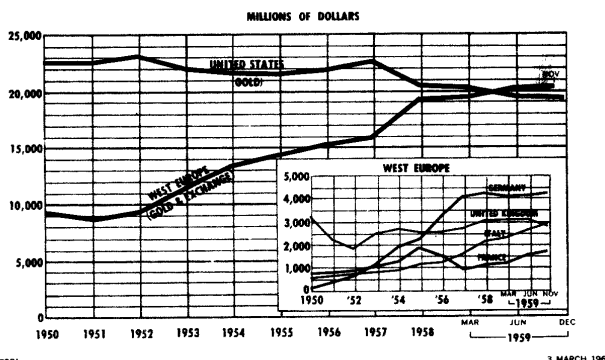
West Germany, for example, with its spectacular economic growth and formidable exchange reserves, confines its foreign assistance largely to government-guaranteed, private, short-term credits which promote its own exports. Last month a

special committee of the Economics Ministry recommended substantial increases in the outflow of longer term capital to less-developed countries and outright grants from the federal budget for special development projects. As in the case of other Western European countries, however, Treasury and Central Bank officials oppose expansion of foreign credit; they consider it potentially inflationary when corresponding tax increases are not politically feasible.

Regional economic ties also restrict the availability of capital for coordinated free-world assistance. Responsible author-

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GOLD AND FOREIGN EXCHANGE HOLDINGS



ities in both the Executive Commission and the European Investment Bank of the European Economic Community (EEC) favor global development assistance not tied to exports. However, officials in EEC member countries, particularly France, may successfully oppose them and, instead, direct EEC financial resources mainly to associated areas in Africa and to Greece and Turkey.

Britain, the only major capital exporter among the seven nations of the European Free Trade Association, says its aid resources are fully committed to Commonwealth development. The

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British, moreover, are cool toward participation by Japan in present efforts to coordinate free-world aid. London fears that, with this status, the Japanese in the future would be able to oppose existing discrimination against their "low-wage" exports.

Prospects

The Washington meeting of finance officials of the United States, Canada, Britain, France, West Germany, Italy, Portugal, Belgium, and the commission of the European Economic Community will be the first meeting of the so-called Development Assistance Group (DAG). Several such sessions were planned at the mid-January meeting in Paris of selected CEEC countries, the

Executive Commission of the EEC, and the United States and Canada.

The meeting on 9 March is likely to make some progress toward the larger group's comprehensive goal of more effectively mobilizing Western resources in competition with the Communist bloc. Preliminary agreement may be reached on measures to bring the terms of financing Western European development assistance closer to the 10- to 15-year period allowed by the United States' Export-Import Bank. Tentative agreement may also be achieved on establishing a permanent aid-coordinating agency and on the procedure for effecting such coordination for priority recipients such as that now being worked out for India in cooperation with the IBRD.

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SLOVAKIA'S AUTONOMY GRADUALLY DISAPPEARING

Slovakia's long-standing semiautonomous position within the Czechoslovak state has been weakened by several recent policy decisions in Prague, the most important of which was the administrative downgrading of Slovakia's capital, Bratislava. The Slovak party paper is no longer the only authoritative Communist daily appearing in Slovakian, and Bratislava has lost its control over Slovak-language publishing houses. These moves appear to be important steps toward ending Slovak autonomy within the next few years.

Slovak Separatism

The people of Slovakia have always had strong separatist and fierce nationalistic tendencies which have from time to time cropped up within the Slovak Communist party itself. The Slovak populace, including many elements of the party, oppose integration into the Czechoslovak state. Prague has thus found it necessary to undertake long and careful propaganda campaigns justifying each step it has taken against Slovak autonomy, and to criticize openly any opposition to these moves.

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Slovakia is officially described by Prague and Bratislava as a "nation" and possesses party and government organizations separate from, but subordinate to, those of Czechoslovakia. This status derived from a combination of historical tradition and Communist political expediency in the years immediately following World War II.

Modern-day Slovakia's autonomous status had its birth in the United States at Pittsburgh in 1918, when Czech- and Slovak-Americans met to formulate the principles of a combined Czech and Slovak state. This group advocated a federation in which each nation would have equal status, including its own administrative system, parliament, and courts, as well as recognition of its own language. When the Czechoslovak state actually came into existence, however, the central government in Prague had more centralized powers than those outlined in the Pittsburgh agreement, and Slovak administrative offices and educational institutions were staffed with over 9,000 Czechs.

This action by Prague gave rise to a political movement of strong separatist persuasion, the Slovak Populist party, led by Andrew Hlinka. The party championed the Pittsburgh principles of autonomy, even at the cost of destroying the Czechoslovak state. The Populists gained increasing numbers of sympathizers and adherents as Prague persecuted their leaders and procrastinated on promises of greater autonomy. As this dispute sharpened through the 1930s, Hitler's pressures on Czechoslovakia grew to major proportions, culminating in the Munich conference of 1938.

Immediately following Munich, six Slovak political parties joined in declaring full autonomy, and their demands were met by Prague. In 1939 the independent Slovak state was created under Hitler's aegis, and existed--at his sufferance--until 1944.

During the Slovak uprising against the Germans in 1944, a Slovak National Council was constituted as an ad hoc parliamentary body that administered

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the area until the Czechoslovak nation, supported by Moscow and the Allies, could get on its feet after the war. This Slovak National Council spoke for Slovakia at the formative Kosice meeting in April 1945 which adopted a national-front program for Czechoslovakia's first government after World War II.

At this time the Czechoslovak Communists split into two parties: Slovak and Czechoslovak. The major effect of this was to gain for the Communists twice the number of cabinet posts held by any other party in the newly formed central government. As the national-front government began to centralize control, the Communist parties became proponents of Slovak autonomy; this helped them gain significant popular support in Slovakia and consequently to garner enough votes to gain political strength for the 1948 coup.

After the Communist coup, Slovakia was given autonomy, but more in form than substance, leaving the Slovak populace and many Slovak Communist party members bitterly disappointed. Prague then was faced with the problem of a Slovak Communist party heavily infiltrated with separatists--a problem which Prague has struggled with ever since. The facade of Slovak autonomy that has been preserved to date testifies to the continuing strength of separatist feeling among Slovaks. Prague has been unable to break down these separatist and nationalistic sentiments, despite numerous purges and an ambitious industrialization program designed in part to extend Prague's control in Slovakia.

The Erosion of Autonomy

Bratislava received equal rank with Prague in the administrative setup created in 1948. Both cities were given the status of a region--the largest geographic-administrative division in the country--and no other cities shared this rank. The January 1960 plenum of the central committee of the Czechoslovak party, however, announced details of a reorganization of the territorial administration of the country which is to be carried out this year. Under this new system, the city of Bratislava has been downgraded to a district, the second largest division of the country, while the city of Prague retains a rank equal to that of a region. Three other cities in the Czech lands have been given rank equal to Bratislava.

On 1 January, the Czechoslovak Communist party daily, Rude Pravo, began to publish a special Slovak edition in Bratislava with Slovak party affairs as one of its special features. Formerly the Slovak party paper Bratislava Pravda, which is still being published, stood alone as the authoritative press voice on Slovak party affairs.

In addition, the Slovak and Czech publishing associations--the two trusts controlling individual publishing houses--have been merged into one central organization located in Prague, according to a Bratislava radio announcement on 9 January. Thus Prague has seized complete control over the vast bulk of published material for Slovakia.

Prospects

These developments suggest that Prague believes that

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the full integration of Slovakia is possible fairly soon. The gradual erosion of Slovak autonomy will be furthered both by the recent party campaign to perfect "democratic centralism" and by the construction in Slovakia of an ever-growing number of industrial enterprises controlled from Prague. Prague has always moved cautiously,

pressing the population at the maximum pace consistent with domestic peace, and it can be expected to act in this manner on the question of Slovak integration. Barring a miscalculation, Prague will probably succeed in the next few years in wiping out all visible vestiges of Slovak autonomy.

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