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4 August 1960

CURRENT INTELLIGENCE WEEKLY SUMMARY



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THE WEEK IN BRIEF

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PART I

OF IMMEDIATE INTEREST

REPUBLIC OF THE CONGO Page 1

Brussels, in agreeing to withdraw its forces in Katanga Province to one base there, appears to be moving slowly toward a total military evacuation of the Congo. Brussels' criticism of Hammarskjold's announcement that UN troops will enter Katanga on 6 August and its characterization of the Katanga question as subject to negotiation by the Congolese appear designed to support Katanga Premier Tshombé without committing Belgium to his defense. Dr. Bunche has flown to Elisabethville to seek to overcome Tshombé's refusal to permit the entry of UN troops. With Brussels unwilling to risk UN censure by retaining its troops in Katanga, Tshombé may seek UN support for a compromise in which Katanga would rejoin the Congo in return for the reorganization of the Congo into a federation of semi-autonomous provinces. The USSR continues highly critical of the UN's failure to occupy Katanga.

[Redacted]

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[Redacted]

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DEVELOPMENTS IN SOVIET FOREIGN RELATIONS Page 3

After weeks of denouncing primarily the United States, Moscow has broadened its diplomatic and propaganda campaign to include notably sharp criticism of French and British policy. A TASS statement on 30 July strongly criticized Premier Debré's recent statements on foreign policy and singled out French policy toward Bonn and in Algeria for attack. London was accused of adopting a new position of "informed participation in American provocations." The anti-American offensive was maintained through new notes on the RB-47, allegations of continued espionage activities, and charges that the US request for a UN Disarmament Commission meeting was an attempt to "conceal" an unwillingness to negotiate on disarmament. Moscow's counterproposal that the heads of government attend a disarmament discussion in the UN General Assembly was probably intended not only to encourage opposition to the US request, but also to create an impression of Soviet readiness to resume serious talks on the question.

[Redacted]

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CUBAN DEVELOPMENTS Page 6

Fidel Castro has evidently put aside his official duties while under the care of doctors, but the extent of his illness is uncertain. His brother Raul--who has cut short his foreign tour--may become nominal head of

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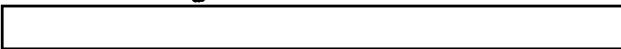
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PART I (continued)

any caretaker regime. There are some indications that the pro-Communist clique headed by "Che" Guevara has won increased power in the government. An OAS foreign ministers' meeting later this month will consider the dangers to the inter-American system posed by Cuba's ties with the Soviet bloc. Argentina, Peru, Colombia, and Central America appear to agree that the Cuban problem is more than a dispute between Havana and Washington and that it requires hemisphere-wide action.



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PART II

NOTES AND COMMENTS

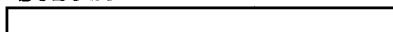
MIDDLE EAST DEVELOPMENTS Page 1

A sharp drop which appears imminent in the posted prices of Persian Gulf crude oil will further strain relations between Arab governments and Western-owned oil companies. A controversy between the UAR and the Trans-Arabian Pipeline Company may lead to closure of the pipeline. In Libya, King Idris may soon replace Prime Minister Kubar and other ministers, but no major policy shift seems likely. In Yemen, the Imam has raised new obstacles to the American aid program. British authorities in Aden are confident they can contain trouble expected to follow their crackdown on pro-Nasir labor unions. The UAR's violent campaign against Iran's reiteration of its de facto recognition of Israel is being echoed somewhat reluctantly by other Arab states. Iran has officially denied that any new step is involved beyond the reaffirmation of a ten-year-old policy.



BRITISH PREPARE FOR AFRICAN TROUBLES Page 4

Britain's airlift of an additional battalion of troops to its strategic reserve in Kenya indicates that London intends to make an effort to control fast-moving developments in British East and Central Africa. Disturbances in Southern Rhodesia and a resurgence of Mau Mau activity in Kenya raised the immediate alarm, but London is also preparing against disorders in Nyasaland if current constitutional talks fail to satisfy African demands.



EAST GERMANY AND WEST BERLIN Page 5

The Ulbricht regime, backed by Moscow, continues to try to assert some degree of control over West Berlin's affairs and to weaken the links between the city and the Federal Republic. While these moves are essentially

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PART II (continued)

probing actions, the succession of notes, declarations, and press conferences of recent weeks are intended to document the regime's charges that West Berlin is an international trouble spot and to establish a legal foundation upon which East Germany can eventually base claims to sovereignty over the city. [redacted]

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CONTINUING ECONOMIC TROUBLES IN KAZAKHSTAN Page 7

Continuing economic troubles in Kazakhstan, the USSR's second largest republic, have led to the arrest and imprisonment of several collective farm managers for falsification of statistics to conceal the loss of cattle during a fodder shortage last winter. The republic's central committee, at its plenum in June, scored party and government officials for the "alarming situation" in capital construction and animal husbandry and warned them that they must take measures to fulfill plans set for the republic. [redacted]

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PEIPING'S FARM POLICIES Page 8

The Chinese Communists have in the past few weeks mounted a major campaign to speed up agricultural development. Party functionaries are being sent to live and work on the farms, while industrial workers, the armed forces, and urban dwellers are being asked to step up their efforts to help. Persistent food shortages are slowly forcing the regime's leaders to recognize that the farm policies followed during the leap forward have failed to solve the problem of feeding the growing population. They appear prepared to allocate to agriculture more in the way of manpower, materials, and money and to accept at least some reduction of industry's growth rate. [redacted]

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PEIPING ENCOURAGES JAPANESE CAMPAIGN AGAINST SECURITY TREATY Page 9

A high-level Chinese Communist labor delegation, the first mainland group to visit Japan in over two years, is attending the Sohyo labor federation convention and the Sixth World Conference Against Atomic and Hydrogen Bombs. It will encourage renewed efforts to undercut the Japanese security alliance with the US. Chou En-lai's revival on 1 August of Peiping's call for an atom-free zone in Asia and the Western Pacific is also an effort to appeal to neutralist sentiment in Japan on the eve of the anti-bomb congress. [redacted]

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SOUTH KOREAN ELECTIONS Page 11

UN and other observers are agreed that the South Korean parliamentary elections of 29 July were free and

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conducted fairly despite isolated disorders and violence. The conservative Democratic party won an overwhelming victory, but two factions within the party are struggling for control of the government. An open break between the factions, however, may be avoided by dividing the major offices between them.

[Redacted]

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TURKEY Page 12

The military regime that seized power in late May from the Bayar-Menderes government appears to have become more confident but is sensitive to continuing expressions of discontent. There are signs of some growth of popular dissatisfaction partly on religious and economic as well as on political grounds. Economic stagnation in the larger cities could present a serious security problem if new political instability should develop.

[Redacted]

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NEW INDIAN STATE OF NAGALAND Page 13

New Delhi's decision to accede to the demand of moderate tribal leaders for the creation of a Naga state within the Indian Union is aimed at ending the seven-year-old rebellion in the northeastern frontier of India. The creation of a new political subdivision goes counter to the Nehru government's general policy, but New Delhi presumably hopes that its action will undercut extremist demands for full independence of the Naga area.

[Redacted]

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LEFTIST PRESSURES IN MEXICO Page 14

The Lopez Mateos administration is concerned over mounting leftist pressure on the government, particularly from a pro-Castro minority which wants to associate Mexico with the Cuban cause. Recent statements by government leaders defining Mexico's political orientation as "leftist" probably were made in an effort to quiet these critics. Further public statements of the same type can be expected, and Mexico probably will continue its policy of equivocation on the Cuban question.

[Redacted]

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TRUJILLO MANEUVERING TO AVERT OAS SANCTIONS Page 15

The resignation of President Hector Trujillo--brother of the dictator--and the elevation of Vice President Joaquin Balaguer to the presidency, as well as reported changes in the military high command, are probably additional steps by the dictator to create a more favorable attitude toward the Dominican Government before the OAS foreign ministers' meeting on 16 August.

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ICELANDIC-BRITISH FISHERIES DISPUTE Page 16

Iceland seems unwilling to begin negotiations with Britain, despite the fact that the three-month "truce" in their dispute over fishing limits expires on 13 August. Prime Minister Thors probably feels that with the Communists and other extremists continuing to arouse public opinion over the issue, his government cannot afford to enter into negotiations at this time. If British trawlers and naval escort vessels return to the disputed waters after the deadline, Reykjavik will be under increasing pressure to raise the issue in NATO or the United Nations.

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PART III

PATTERNS AND PERSPECTIVES

EUROPEAN UNITY: PROBLEMS AND PROSPECTS Page 1

The mutual tariff discrimination which began between the European Economic Community (EEC or Common Market) and the European Free Trade Association (EFTA or Outer Seven) on 1 July was a decisive development affecting the evolution of an integrated Europe. By failing to persuade the EEC to water down its economic and political objectives for the sake of a broader and looser European association which would avoid such discrimination, the EFTA was defeated in its major purpose. Despite palliative measures, the resulting economic division of free Europe threatens to widen in the next few years, and any move to close the breach would require a significant revision of British foreign policy.

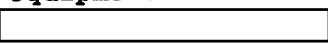
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SOVIET BLOC OIL EXPORTS TO THE FREE WORLD Page 6

The current rate of oil exports from the Soviet bloc to the free world--amounting to about 3.5 percent of the market--is about four times greater than in 1955, when such exports first attained commercial importance. The rise in bloc exports, most of which come from the USSR, has been possible because of increased production in the bloc and willingness to accept from underdeveloped countries payment in soft currencies and in commodities for which there is limited demand on the world market. As for the industrial countries, the Soviet Union has emphasized the development of markets there in order to obtain capital equipment needed for fulfillment of its Seven-Year Plan.

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THE WEEK IN BRIEF

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PART I

OF IMMEDIATE INTEREST

REPUBLIC OF THE CONGO

Belgium, in agreeing to withdraw its forces in Katanga Province to one base there, appears to be moving slowly toward a total military evacuation of the Congo. Brussels' criticism of UN Secretary General Hammarskjold's announcement that UN troops will enter Katanga on 6 August and its characterization of the Katanga question as an "internal" matter subject to discussion among the Congolese appear designed to support Katanga Premier Tshombé without committing Belgium to his defense.

Tshombé, in his conversations with UN Under Secretary Dr. Bunche, may seek UN support for a compromise in which Katanga would rejoin the Congo in return for a reorganization of the Congo into a federation of semi-autonomous provinces. The UN will almost certainly attempt to avoid becoming further involved as mediator of an internal Congo dispute, however, and will probably seek merely to dissuade Tshombé from forcibly opposing the entry of UN troops. Tshombé's angry opposition to the UN occupation may force a delay in the entry; he probably has no more than 500 trained non-Belgian troops at his disposal, however, and would be unable to offer effective resistance to the UN forces, which now number over 11,000 men.

Brussels appears determined to retain its two Congo bases--Kamina in Katanga and Kitona in Leopoldville Province--until such time as it can negotiate terms for a complete withdrawal with

the Lumumba government. Belgian officials have declared that UN entry does not entail the immediate evacuation of Belgian troops from Kamina. In Brussels, the Congo crisis has led to discussions among government leaders of a possible cabinet reshuffle. Social Christian and Liberal coalition partners, although agreeing to share responsibility for the Congo debacle, have urged the replacement of Congo Ministers de Schrijver and Scheyven.

Meanwhile, the major effort being made by Ghana's Nkrumah and Guinea's Sekou Touré to influence Premier Lumumba and other members of the Congolese Government may presage an early announcement of some form of association among the three states.

Guinean political representatives, brought into Leopoldville under military cover, have been observed along with Soviet representatives denouncing the UN to Congolese officials. The Guineans--who appear to be working closely with the Russians in Leopoldville--reportedly also have urged the Lumumba regime to take strong measures against domestic opponents and against Belgians. At least some Congolese officials are concerned about Guinean activities in the Congo

[redacted] that efforts be made to bring in advisers from the Federation of Mali as a counterweight to the Guineans.

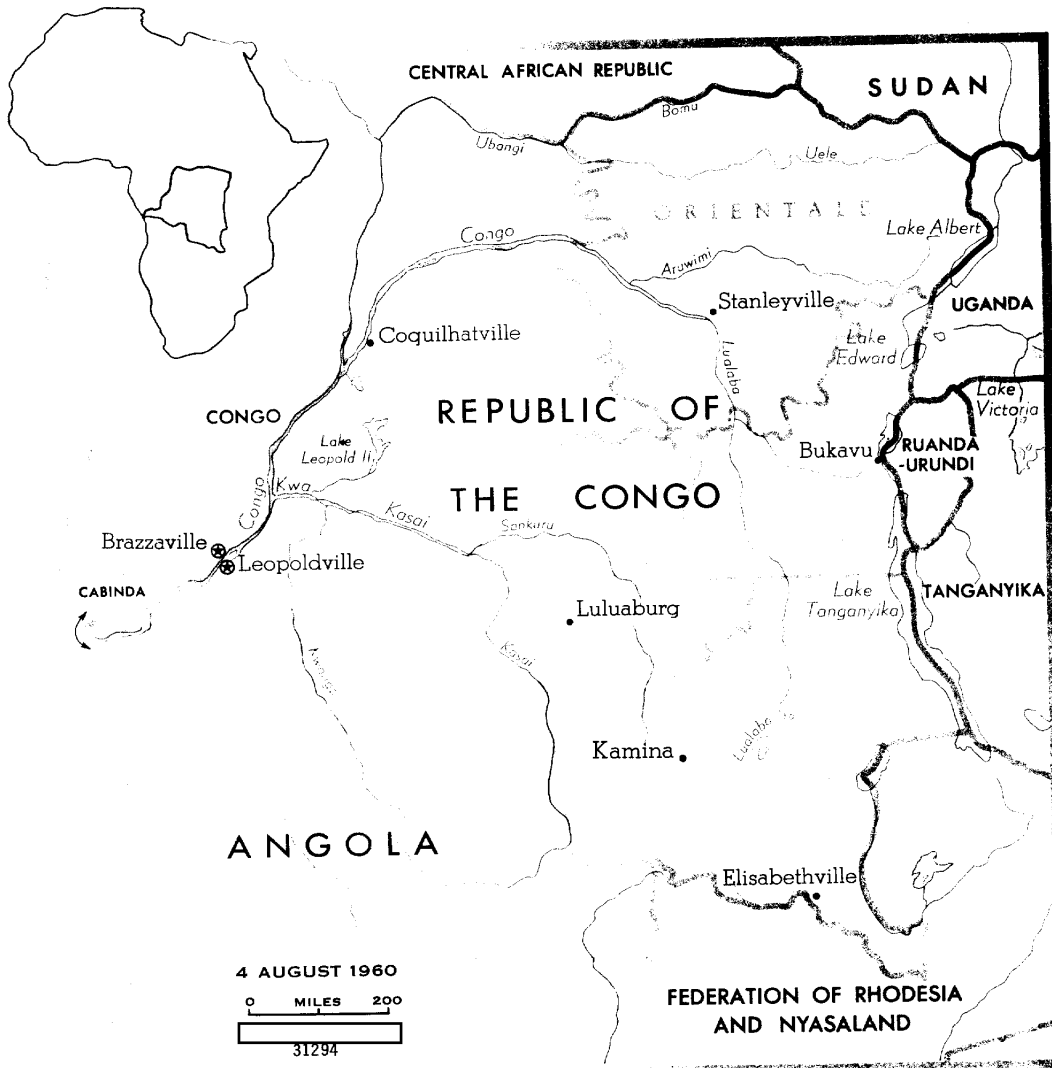
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Lumumba's departure from New York on 2 August apparently frustrated Soviet plans to request a Security Council meeting on the issue of Belgian withdrawal from Katanga. The TASS chief at the UN told correspondents on 1 August that the USSR would ask for a meeting while Lumumba was in New York, and a Soviet

UN delegate, after conferring with the Congolese premier, met with the UN Secretariat regarding the need for a Security Council session. TASS announced on 2 August that 20 Soviet medical workers, including experienced doctors and surgeons, would leave for the Congo in a few days--presumably the medical aid promised on 31 July.

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Moscow has stepped up its efforts to discredit the UN role in the Congo, and Soviet officials in Leopoldville and in the UN are actively encouraging Congolese authorities in their demands for total Belgian withdrawal. Soviet moves appear aimed at stimulating hostility among the Congolese toward UN efforts and at dividing the Afro-Asian states from Western members of the organization.

Moscow propaganda has been especially critical of Hammarskjold, charging that he is supporting the NATO colonial powers by his "more than conciliatory position" and aggravating the situation with his "demagoguery." Dr. Bunche has been accused of "directly participating" in Belgian attempts to bring about an economic crisis in the Congo in order to discredit the Lumumba government, and UN troops have been charged with acting as a shield to cover Western military aggression.

Moscow continues to stress the USSR's support for the Congolese Government and its readiness to "take resolute measures to rebuff the aggressors"--reiterated in a Soviet statement of 31 July--but there is no indication in recent statements that dispatch of Soviet forces is contemplated. Citing the NATO countries as a group, the Soviet statement also accused the "aggressors and their ac-

complices" of trying to strangle the Congolese Republic economically and smother its independence by armed force. A TASS report of Lumumba's 28 July Washington press conference noted his remarks concerning a possible appeal for US military aid, and referred to "provocative" questions from US reporters regarding a request for Soviet help--apparently to play down the subject of unilateral intervention by the USSR.

Moscow announced on 1 August the appointment of M. K. Yakolev, former foreign minister of the Russian Republic (RSFSR), as ambassador to the Congo. A. Fomin, who arrived in Leopoldville with a small party of officials on 21 July aboard a Soviet food plane, has been named chargé d'affaires.

UN Technical Assistance

Hammarskjold is formulating plans for UN technical assistance to the Congo. Implementation depends on the UN's success in securing its recognition as the controlling channel for assistance from various governments and private groups and in persuading the Lumumba government to make its requests for aid to the UN.

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25X1**DEVELOPMENTS IN SOVIET FOREIGN RELATIONS**

After weeks of denouncing primarily the United States, Moscow broadened its propaganda and diplomatic campaign to include sharp criticism of French and British policy. In a long TASS statement quoting the views of "Soviet leading quarters," French

Premier Debré was charged with "whitewashing the revanchist-militarist policy of the Adenauer government" in his foreign policy address of 25 July. Timed to coincide with the meeting between De Gaulle and Adenauer on 29 and 30 July, the TASS statement

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claimed that Debré's remarks strongly resembled the pronouncements of certain French leaders on the eve of World War II.

Soviet willingness to criticize the De Gaulle government more freely since the summit was also reflected in the TASS reference to "those French circles who stand for the continuation of the bloody war in Algeria." This new phase of Soviet tactics was underscored by Khrushchev's appeal to De Gaulle to spare the life of an Algerian rebel sentenced to death. Following the execution and De Gaulle's biting reply, Soviet propaganda claimed to find a steady increase in crimes by the French military against the Algerian people.

The American-British talks on US bases in the UK also drew a Soviet charge that as a result of the discussions, British policy was turning from involuntary participation in American "provocations" to one of informed participation. Moscow also continued a steady stream of ridicule and abuse of American policy.

In a reply to the US note of 18 July on the RB-47 incident, Moscow repeated all the accusations and claims made by Kuznetsov before the UN Security Council. The new note, delivered on 2 August, summed up the Soviet attitude by charging that both the U-2 and RB-47 flights were in essence the same and stemmed from an "unprecedented policy of premeditated provocations." In a similar note to London, Moscow claimed that the British Government was adopting

a "strange position" on these matters.

The emphasis in Soviet propaganda on alleged US espionage activities was carried forward by an announcement that an American spy was apprehended while attempting to escape from the USSR to Iran with secret information.

Germany and Berlin

The 15th anniversary of the Potsdam agreements provided new impetus for bloc-wide agitation on the German peace treaty issue. East German Deputy Foreign Minister Winzer held a press conference on 1 August to review the contents of a long memorandum to the four powers appealing for a peace treaty with both German states and charging that repeated violations of the Potsdam agreements had caused all Allied occupation rights to be void. On 2 August both Pravda and Izvestia editorialized along the same lines, warning that failure to reach agreement on a peace treaty would result in a separate treaty with East Germany.

Moscow took a more moderate tack in a protest note to the Western powers on 28 July against West German Bundestag legislation to establish the offices of a West German radio station in Berlin, however, declaring that the USSR "has always been and is in favor of an agreed settlement" of the Berlin and German treaty question.

Disarmament

In a further maneuver to counter the US request for a

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meeting of the UN Disarmament Commission, Moscow on 1 August formally objected to the meeting and proposed instead that the heads of government attend a UN General Assembly debate on the issue. The move, obviously designed to draw a Western rejection, was also probably aimed at encouraging the view that the General Assembly is the proper forum and encouraging neutralist opposition to the US request. The Soviet letter called for some states and the UN secretary general to invite the heads of government, especially of those states "possessing the greatest military power."

The letter also was designed to appeal to world opinion as a peaceful initiative by hinting that not only disarmament but other important political issues might be successfully considered. Soviet officials at the UN hinted privately that the bloc would boycott any Disarmament Commission meeting. The USSR is also making an intensive effort in New York and various capitals to gain support among neutralist states for its position.

Bloc Policy

Pravda's publication of a long speech by Italian party chief Togliatti reflects possible Soviet concern over the uncertainty in the Communist movement over the new phase of Soviet policy. Admitting confusion within the Italian party as to future Communist policies after the collapse of the summit, Togliatti declared the "aim of our struggle" not only has remained unchanged but has acquired a new urgency. He de-

finied the current international phase as requiring a new struggle for creating conditions for convening a summit conference. Togliatti said "new public pressures" would be an essential element to force governments to condemn the US, refrain from making common cause with the US, display independent initiative, and, foremost, to reconvene a summit conference.

In strong terms Togliatti also defended the Soviet doctrine on the preventability of war and went far beyond Moscow in emphasizing the destructiveness of a nuclear conflict. He claimed there was no contradiction between a renewed "struggle for peace" and the "realistic aims" of relaxing tensions, peaceful coexistence, and disarmament.

In an implicit rebuke to the Chinese Communists, Togliatti characterized their opposition views as those of persons "at least a generation behind in their views on war and peace." He stated that to abandon the idea that war could be prevented while professing the aim of peaceful coexistence would be hypocritical.

The main purpose of Togliatti's speech and the Soviet endorsement probably was to use his prestige in the international Communist movement to provide a guide to Moscow's current position on East-West relations and in the continuing Sino-Soviet dispute. Togliatti's exaggerated support for the Soviet position follows a concerted barrage from East European leaders since the meeting in Bucharest at the end of June which was to have resolved the disagreement.

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During July, party bosses Gomulka of Poland, Novotny of Czechoslovakia, and Yugov of Bulgaria all made vigorous statements along the lines of Togliatti's speech, and the central committees of the Bulgarian, Hungarian, East German, and Rumanian parties issued resolutions on the Bucharest meeting which did the same. The results have been to demonstrate that any "disunity" in the ranks of the major elements of international Communism stems wholly from the Chinese Communists and to isolate and pinpoint the "errors" in their positions.

Nuclear Test Talks

In the nuclear test ban negotiations, the Soviet delegation continues to advance proposals on major questions in an apparent attempt to fill in the Soviet position on all unresolved issues prior to a probable recess in mid-August.

On 2 August the Soviet chief delegate presented a Soviet Government statement replying to the US proposals on the means of providing safeguards against misuse of research tests for weapons development. Moscow welcomed as a "positive step" the American

proposal that nuclear devices to be used in any research program be subject to inspection by all three powers. On the issue of whether there would be reciprocal privileges to examine Soviet devices, which would be deposited in a common pool along with UK and US devices, the USSR again refused to participate. The Soviet statement did not, however, object to a US-UK pool of nuclear devices, provided that the West would agree to full participation by Soviet scientists in all aspects of the program.

Soviet tactics suggest that Moscow is mainly interested in prolonging the talks, on the assumption that the US may decide to proceed unilaterally with research tests employing nuclear devices--a move which Khrushchev has repeatedly warned would free the USSR to resume any type of weapons testing. The Soviet leaders may believe that unilateral American action would provide an issue which Moscow could exploit as part of its current efforts to indict US policy as provocative. They may also feel that any US decision not to proceed unilaterally would be an indication that the USSR could extend the negotiations, and thereby the current de facto ban, without any major concessions until a new administration takes office in Washington. 25X1

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CUBAN DEVELOPMENTS

Fidel Castro is evidently under the care of doctors, but the extent of his illness is uncertain. He remains the symbolic embodiment of the Cuban revolution to the Cuban masses,

upon whom the regime has come increasingly to depend, and should his health dictate that he step down, any likely interregnum or immediate successor would continue to rule in his name.

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Raul Castro--who has cut short his foreign tour--would be at least the nominal head of any immediate successor or caretaker regime.

There are indications that Fidel Castro's authority in the government may have been significantly reduced in recent weeks and that the pro-Communist clique headed by the ambitious and hard-driving "Che" Guevara may have gained correspondingly in power. Guevara, whose administrative abilities contrast sharply with Castro's own disorganized methods of government, has become the virtual tsar of Cuba's state-directed economy and exerts considerable influence in other areas of government.

demand, but, with careful allocation, supplies should be adequate to prevent a serious oil shortage.

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Bombings and shootings are on the rise in Havana.

On the international front, the virulent attacks on other hemisphere governments delivered by "Che" Guevara and others during the Communist-dominated Latin American Youth Congress have further aroused other Latin American governments against the Cuban regime. Venezuela, for instance, is formally protesting Guevara's description of President Betancourt as the "prisoner of his government's forces of repression." The Cuban charges may have repercussions at the forthcoming meeting of the OAS foreign ministers in Costa Rica. After convening on 16 August to discuss Venezuela's charges against the Trujillo dictatorship, the foreign ministers are to consider the dangers to the inter-American system posed by Cuba's increasingly close ties with the Sino-Soviet bloc.

Argentina, Colombia, and Peru and most of the Central American countries appear to support the United States' view that OAS action is necessary to deal with the Cuban problem, since it is more than a Cuban-US dispute and involves a direct challenge to the inter-American system, for which all OAS members are responsible.

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President Dorticos, a former Communist who has never recanted, has shown himself to be a stronger personality than his figurehead status would imply, and he would become an even more influential figure if Fidel Castro should temporarily or permanently leave power.

Meanwhile, the Castro regime is faced with growing problems on a number of fronts. Though serious petroleum shortages do not appear imminent, early problems could come from a shortage of refinery spare parts and special lubricants. Soviet oil deliveries to date have not been sufficient to meet normal Cuban

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PART II**NOTES AND COMMENTS****MIDDLE EAST DEVELOPMENTS****Arab States - Oil**

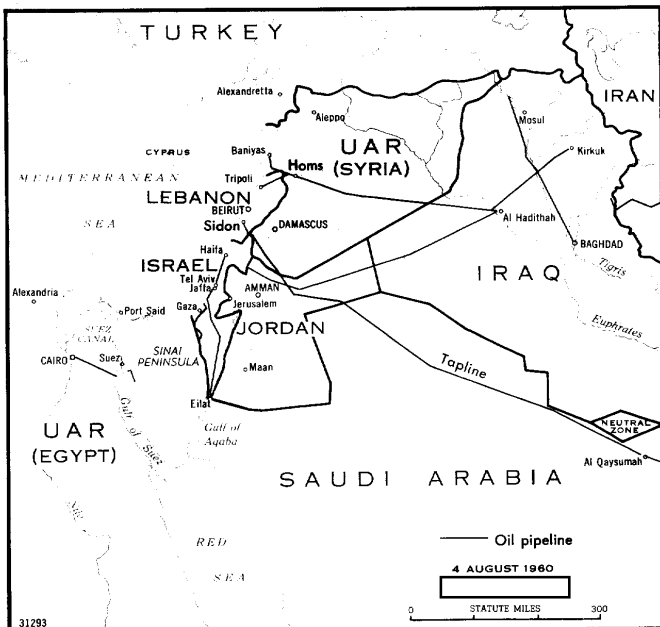
New and severe strains are to be expected in relations between several of the Arab governments and the Western-owned oil companies. In a situation where world oil-producing capacity is far ahead of demand, most companies operating in the Middle East have been granting substantial discounts for several months. Now imminent is a sharp drop in the posted prices of

\$140,000,000 in expected 1959 revenues. Reaction to another drop will probably be even stronger than in 1959 and is almost certain to include increased pressure by Arab governments for a greater voice in the management of the Western-owned oil concerns.

This new irritant is in prospect at a time when major disagreements between the Arabian American Oil Company and the Saudi Government remain unresolved, when the Iraqi Government is insisting on a very large increase in port dues on oil exported through the Persian Gulf by the Iraq Petroleum Company, and when sharp controversy between the UAR and the Trans-Arabian Pipeline Company (Tapline) may lead the UAR to force a shutdown of the line.

The UAR-Tapline dispute involves two issues. The more important is the UAR demand for a new formula of oil transit payments which, at Tapline's present level of operations,

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Persian Gulf crude oil--on which the profit share for the oil-producing states is calculated.

The drop is expected to be somewhat larger than the cut of 18 cents per barrel early in 1959. That reduction--the first in the history of the Persian Gulf--cost the oil-producing states there an estimated

would yield Syria about two and one half times its present revenue. Tapline refuses, pointing out that if the same formula were applied--as it would have to be--to Lebanon, Jordan, and Saudi Arabia, total payments would exceed the company's profits.

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The other issue is Tapline's refusal to continue furnishing crude oil to Syria's refinery on credit. Syria already owes Tapline more than \$4,000,000 for past deliveries. The company has offered to spread payment for this accumulated debt over several years, but further deliveries must be on a current payment basis. In the face of this firm stand, Nasir may make a dramatic move to force the company to cease operations, thus creating a popular "anti-imperialist" issue in Syria, where political unrest has accompanied the steady economic deterioration.

Lebanon

The furor over Lebanese President Shihab's one-day resignation on 20 July has subsided, and he appears to have increased his prestige and influence at home. The move apparently was largely motivated by difficulties inherent in forming a new cabinet under the leadership of Saib Salam, leader of the Moslem rebels in the Basta quarter of Beirut during the 1958 rebellion.

Salam's new 18-man cabinet, which was announced on 2 August, is composed of representatives of nearly every political faction. Included are several strongly pro-UAR personalities, as well as one supporter of anti-Nasir former Premier Sami al-Sulh. With such a wide disparity of views the new cabinet is likely to be subject to dissensions which could result in its early demise. Should this occur, the probability of a drift toward military control will be increased.

Libya

King Idris may soon replace Prime Minister Kubar and other cabinet members, although no

significant policy shift seems likely. Kubar has become increasingly frustrated during the past few months over the King's refusal to delegate to him sufficient power to run the government effectively. He is reported to have formally submitted his resignation within the past few days.

An official of the Libyan Ministry of Health reports that the USSR has sent the government a revised version of its long-standing offer to build two hospitals in Libya. This proposal is said to have eliminated the earlier provision that Soviet specialists must be sent to run the hospital staffs; Moscow offers instead to train Libyan personnel.

Yemen

Imam Ahmad of Yemen is posing obstacles to the construction of the US-financed road from Mocha to Taiz and Sana. He has objected to aerial photography of the route, pointing out that the "Chinese do the work on the ground," and is critical of plans to erect buildings for the American engineers, believing they should live in tents. Anti-Western and pro-Communist bloc advisers of the Imam have charged the US with "insincerity" regarding the road project and with collaboration with the British in plots against Yemen.

Delays in implementing the project work to the advantage of the Russian and Chinese supporters of these advisers. Although the majority of Yemenis are believed to be favorably inclined toward the US, the Imam seems to be falling further under the influence of pro-bloc partisans. Within the past few days a Yemeni delegation has been sent to Communist China to negotiate for additional economic aid.

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Aden

The British colonial government of Aden is planning to obtain legislation which will enable it to crack down on Nasir-controlled unions, whose activities are disrupting the colony's economy and threaten eventually to challenge British control there. The proposed legislation will outlaw strikes, make arbitration compulsory, and provide for unusually severe penalties for strike leaders. The British move, however, is likely to close the ranks of the Aden Trade Union Congress and increase the possibility of violence; a general strike and violent demonstrations could paralyze all port activity. The British apparently believe the extra security precautions they have taken can contain the situation.

Arab-Iranian Dispute on Israel

The Arab states were quick in denouncing Iran, following the Shah's statement to a newspaper reporter on 23 July which they interpreted as de jure recognition of Israel. Despite Tehran's subsequent explanation that the statement merely reiterated a ten-year-old policy of de facto recognition, the Arab political and press campaign continues.

Nasir, who spearheaded the campaign by expelling all Iranian diplomats from the UAR, has publicly called for the Iranian people to overthrow the Shah and is trying to arrange an emergency meeting of the Arab League to work out a joint Arab position. Libya, following Nasir's lead, has suspended negotiations for

establishing diplomatic relations with Iran.

Iraq, however, is taking a more moderate stand and is claiming that it successfully upheld Arab rights by persuading Iran not to grant de jure recognition of Israel. The Jordanian Government also appears inclined to accept the Iranian explanation. The Saudi Arabian ambassador has been called home for "consultations," but a Saudi spokesman denied that relations with Iran had been terminated.

Pakistan, which wants to improve relations between the Central Treaty Organization (CENTO) and the Arab countries, is concerned that CENTO's position will be weakened by the incident.

Iran, in turn, has reacted sharply against the UAR. Immediately following Nasir's initial statement, Tehran ordered the UAR's diplomatic mission to leave Iran. The Iranian foreign minister described Nasir as a "feeble-minded pharaoh," and another Iranian diplomat commented that Nasir ought to "bear in mind that he is no lord protector of the Middle East and Moslem countries."

The incident has revived Iranian-Egyptian animosity--dormant for several years--centering primarily around Nasir's claim to speak for all Arabs, including those who form the majority of the population in southern Iran.

Iraq's mild reaction will probably help improve relations between Baghdad and Tehran. Continued attacks by the UAR may even force Iran and Iraq into closer cooperation on questions of mutual interest, such as UAR

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activities in the Persian Gulf.

There has been no popular reaction in Iran to Nasir's call for the overthrow of the Shah--an appeal echoed by Moscow. There is little pro-Arab, anti-Israel feeling in Iran except among the pan-

Islamic elements of the clergy and among the Arabs in the south. The press is sufficiently controlled to assure that the Iranian Government's position is fully presented, and the security forces are capable of handling any but the most wide-spread disorders.

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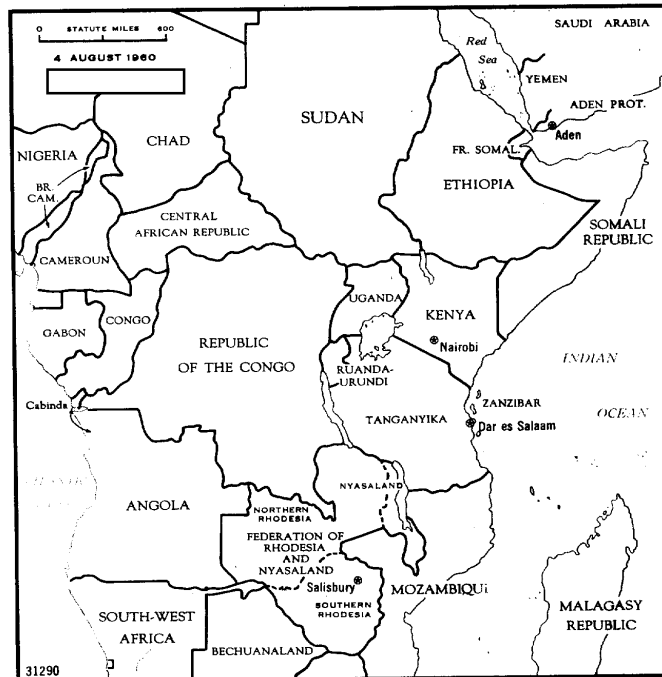
BRITISH PREPARE FOR AFRICAN TROUBLES

Reinforcement of Britain's strategic reserve of troops in Kenya indicates that London intends to make an effort to control fast-moving developments in British territories of East and Central Africa. The air-lift begun on 27 July of an additional battalion of about 600 troops will bring the infantry brigade there to full strength, totaling about 4,800 including service elements.

Officials expect trouble regardless of the outcome of the constitutional talks begun in London on 25 July. Britain is willing to increase the number of Africans in both the Legislative and Executive Councils but is determined to retain decisive powers for British officials.

The Congo situation combined with disturbances in self-governing Southern Rhodesia and possible nationalist disorders in Nyasaland prompted the move. Indications of a resurgence of Mau Mau activity in Kenya have also caused concern, but officials in Nairobi deny that they requested the troop movement.

In Nyasaland, where British authorities remain responsible for internal security, police of-



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The Colonial Office expects particular trouble over its unwillingness to grant universal suffrage. Nyasaland also seeks secession from the white-settler-dominated Federation of Rhodesia and Nyasaland, but London will not discuss this until the federal constitutional review conference, probably in February 1961.

Talks planned later this fall on Southern Rhodesia's demand for removal of residual British controls over legislation affecting Africans could precipitate further disturbances there.

London has also recently decided to take a strong line with nationalists in both Zanzibar and Aden. The British Resident, London's top official in Zanzibar, on 26 July publicly

warned that political activity will be severely restricted if political and racial animosity does not subside. Debate in the Legislative Council has so far been critical of the new British constitutional proposals, and local officials fear the Zanzibaris would be very susceptible to Communist propaganda. The Resident stated earlier that reinforcement of the police would be necessary if disorders arose over the planned establishment of a US astronaut-tracking station.

On 1 August, the British began a showdown with pro-Nasir Arab nationalists in Aden's labor unions by introducing labor legislation which they expect will precipitate a long and difficult struggle. (See also preceding item.)

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EAST GERMANY AND WEST BERLIN

The Ulbricht regime, backed by Moscow, continues to try to assert some degree of control over West Berlin's affairs and to weaken the links between the city and the Federal Republic. While these moves are essentially probing actions, the succession of notes, declarations, and press conferences of recent weeks are intended to document the regime's charges that West Berlin is an international trouble spot and to establish a legal foundation on which East Germany can eventually base claims to sovereignty over the city.

To point up West Berlin's vulnerability, East German police on 21 and 28 July seized civilian trucks en route to West Germany with building materials manufactured in West Berlin. The regime now is publicizing claims that use of such materials by the West German Army violates quadripartite agreements calling for demilitarization of Berlin--a view set forth in notes to the Western powers on 6 June. Commenting on the seizure, First Deputy Foreign Minister Otto Winzer said, "We shall guarantee free access to West Berlin,

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provided these lines of communication are not misused." As of 1 August the East Germans were still holding the trucks and three of the drivers.

The regime has used the 15th anniversary of the Potsdam agreement to renew its demands for a peace treaty and an end to the occupation status of West Berlin. This has included bitter attacks on alleged West German "provocations," such as plans to hold a Bundestag session in the city.

Moscow is backing East German efforts to exclude West German governmental agencies from West Berlin. In a note to the Western powers on 28 July, the USSR protested for a second time Bonn's plans to establish administrative headquarters of the West German radio in West Berlin. The note reiterated that the Western powers recognized at the Geneva foreign ministers' conference that West Berlin is not a part of the Federal Republic but has a special status.

Soviet authorities are also supporting the Ulbricht regime's claims to a degree of control over movements of the Western military liaison missions in East Germany. In a meeting with representatives of the three missions on 30 July, Soviet Chief of Staff Vorontsov reasserted that East German harassment of the missions had resulted from violations of East German regulations by "certain individual officers" of the missions, and appealed for cooperation of the missions in carrying out "their

duties as they properly should." Vorontsov added, "We are in the ...territory of a sovereign state, as guests"--a view at sharp variance with the Western position that the missions are in East Germany by virtue of their occupation rights. East German police are continuing to exercise close surveillance over the missions, but recent incidents have been relatively minor.

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East Germany's aggressive attitude on these issues may in part be an effort to distract attention from its growing internal difficulties. These have been revealed by widespread shake-ups in the local administrative and party structure, increasing food shortages, and passive resistance by newly collectivized farmers which is holding up harvest work. The regime's wholesale distribution system is also exhibiting grave shortcomings, according to disclosures by East Berlin boss Paul Verner at the Socialist Unity party central committee's ninth plenum. Although these circumstances have not seriously affected the regime's stability, they may well be a topic of discussion for party boss Ulbricht during his current vacation with Khrushchev on the Black Sea coast.

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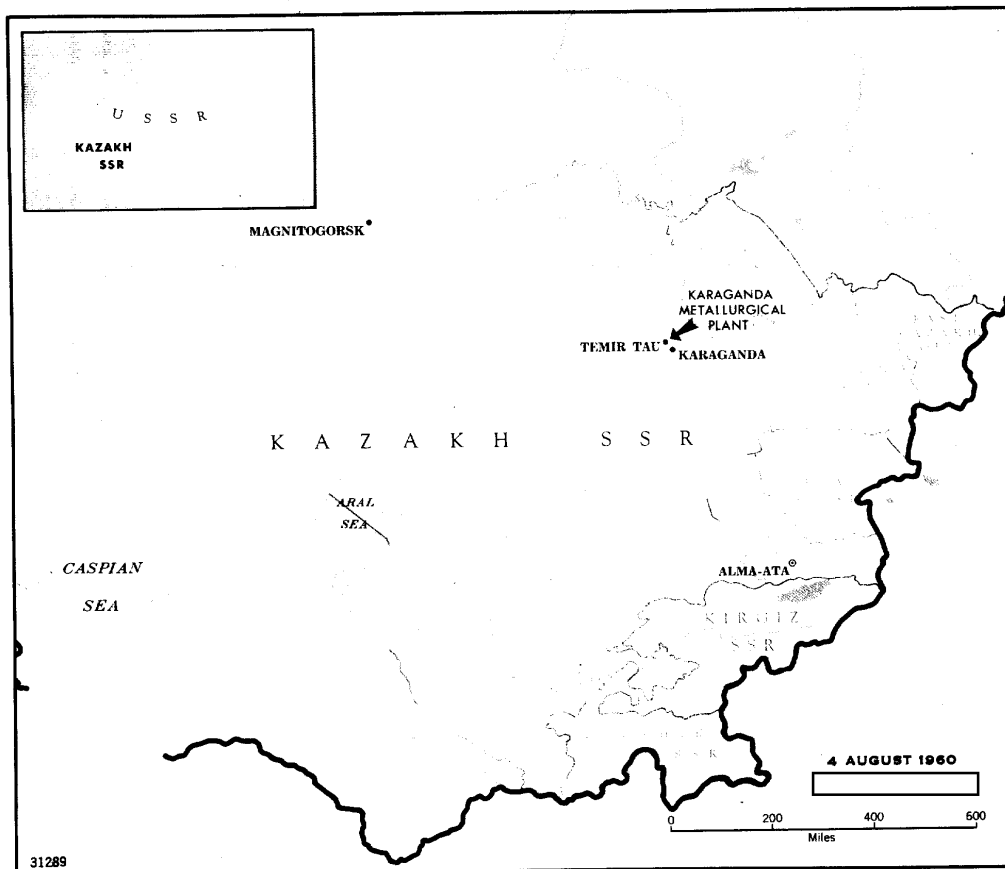
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CONTINUING ECONOMIC TROUBLES IN KAZAKHSTAN

The continuing economic troubles of Kazakhstan, the USSR's second largest republic and one of the major grain areas of the Soviet Union, were highlighted recently by the imprisonment of several collective farm managers for "criminal activity."

fodder shortage. Kazakhstan's problems, however, are not limited to agriculture. At the republic's central committee plenum in June, party and government leaders alike were scored for the "alarming situation, in capital construction as well as ani-



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One of the charges was that they had falsified statistics to conceal the loss of many cattle which died because of a winter

mal husbandry, and were warned that unless specific measures are taken, the republic may again fail to fulfill plans set for it.

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Failure of the Kazakh leadership to meet agricultural problems last year led to the loss of four million acres of grain and, eventually, to dismissal of Nikolay Belyayev as republic party chief. There were also strikes in 1959 at the construction site of the Huge Karaganda metallurgical plant near Temir Tau, said to have been brought on by intolerable living conditions.

Evidently, neither pressure from Moscow nor replacement of local leaders has helped matters much. It was reported at the recent republic plenum, for example, that during the first five months of 1960 only 51 percent of the plan for completing housing was fulfilled, investment in the construction materials and construction industries fell short by 16 percent, and the Kazakh Ministry of State Farms fulfilled the plan for construction and installation work by only 62 percent. In addition, deliveries of animal products are far below plan thus far this year, and preparations for the

1960 harvest, including the building of storage facilities and the repair of agricultural machinery, are lagging.

Kazakhstan, traditionally a problem area, suffers from insufficient rainfall and from the usual problems of a frontier area, including inadequate transport and difficulty in attracting workers because of miserable living conditions. Construction lags are caused by the inadequacy of resources of manpower and materials to fulfill the construction plan laid out. In addition, Soviet leaders blame localism--investment in local projects to the detriment of all-union projects. In agriculture, similarly, farmers are accused of attending to private plots and livestock ahead of the interests of state agriculture. Other factors are said to be the slow introduction of modern industrial techniques and the high cost of construction caused by dispersion of materials and money among too

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(Prepared by ORR)

PEIPING'S FARM POLICIES

The Chinese Communist leaders have in the past few weeks mounted a major campaign aimed at speeding up agricultural development. The party's role in the countryside, on the increase since the leap forward began, is being further enhanced as large numbers of party functionaries are sent down to the farms to live with the peasants and supervise farm work. Industrial workers, the armed forces, urbanites, and scholars are being exhorted to provide the peasants with more labor, machinery, and technical advice.

Factories are being urged to enter into specific aid contracts with individual communes, and particular emphasis is being put on construction projects which will directly serve agriculture. Rural officials are being told to assign 80 to 90 percent of all manpower to field work. Most of these techniques have been tried in the past, but the authorities evidently hope that by pushing them harder they will prove "more fruitful" this time.

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While the decision to launch such an effort stems in part from the leadership's belief that local officials and the peasants need a sharper spur during the busy season, the actual reasons probably go deeper. The 1959 harvest was a disappointment to the regime, and growing conditions so far this year are said to have been adverse. The regime has shown little enthusiasm over the early 1960 crop and has even suggested that in view of the prolonged drought, Chinese agriculture would score a "great victory" if those crops were only a little smaller than last year's.

The possibility of reaching this year's over-all farm goals has been brought into question. Food shortages persist, and the severity with which the authorities continue to press for the strictest austerity in food consumption shows that the fundamental problem of feeding the growing population was not solved by the policies followed in the leap forward.

There are signs that an awareness of these unpalatable facts is slowly dispelling in the leaders' minds the optimism generated by past fraudulent farm claims. Last winter the top economic planners announced that China's economic development had reached a "new stage" in which a new policy of regarding agriculture as the "foundation" of the

economy would be followed, and this year agriculture did get a slightly bigger share of investment funds.

The party central committee now is said to have "further expounded" this policy, perhaps at an unpublicized meeting in early July. The nature of the "further" exposition has not yet been revealed, but the official People's Daily did recently reprint an article by a Kwangtung official who argued that industry's development has outrun agriculture's, and that it would be necessary for the next few years to give agriculture first consideration in the allocation of manpower, materials, and money--even if industrial investment suffered. These remarks are limited to the special circumstances of an individual province, but the daily would scarcely have printed them if the party did not wish to draw attention to them.

The regime would, of course, have to accept a further slowdown in the rate of industrial expansion if this were to be adopted as nationwide policy. Industry--and especially heavy industry--has always been sacred to Peiping, and it is unlikely that an action will be taken which threatens to make big inroads in the growth of the key industries controlled by the central government.
(Prepared by ORR)

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PEIPING ENCOURAGES JAPANESE CAMPAIGN AGAINST SECURITY TREATY

Communist China, encouraged by recent demonstrations in Japan, is stepping up efforts to rally Japanese sentiment

against the US and increase pressure for an accommodation between Tokyo and Peiping. A high-level Chinese Communist labor

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delegation, in Japan for two weeks to attend the leftist Sohyo labor federation's convention and the Sixth World Conference Against Atomic and Hydrogen Bombs, will try to encourage Japanese neutralists, leftists, and Communists to renew efforts to undercut the security treaty with the US.

The delegation, headed by Chinese Communist party central committee members Liu Ning-i and Chen Yu, is the first mainland group to visit Japan in two years. The Chinese had called off "people's diplomacy" toward Japan in face of the Kishi government's hostility, but in the meantime they continued to invite friendly Japanese to visit China.

In his address on 31 July to the labor convention, Liu congratulated Sohyo on its "brilliant victories" in driving the Kishi government out of office and forcing the cancellation of President Eisenhower's visit. The Chinese Communists have called for the broadest possible united front for a continuing struggle against the security treaty, and Liu will probably encourage this line of action. He has already boasted that the Chinese Communists contributed 14 million yen (about \$40,000) to Japanese labor movements. Even the Japanese press, which had strongly supported the movement to oust Kishi, is criticizing the Chinese delegation for such blatant statements and warns that internal interference will not lead to improved relations.

Chou En-lai's revival on 1 August of Peiping's call for a

peace pact--including the US--setting up an atom-free zone in Asia and the Western Pacific is another effort to appeal to neutralist sentiment in Japan on the eve of the anti-bomb congress. It was promptly described by the Chinese delegation in Japan as an "honest" attempt to end tensions in Asia.

The Chinese leaders reportedly regard the Ikeda government as no improvement over the Kishi regime, but their propagandists have not commented publicly and may be waiting to test Ikeda's press statement that he favors resumption of trade with China.

The crude remarks of the Chinese labor delegation probably have dissuaded the Ikeda government from any intentions it may have had to probe the delegation for signs of relaxation of Peiping's attitude toward Japan.

The Chinese still contend that improved relations with Japan depend on a genuine move by Tokyo toward closer government-to-government contacts. They now appear anxious, however, to provide the Socialist party with the means for demonstrating that a future Socialist government would be well received by Peiping, and on 21 July they signed a second agreement with the Socialists on the shipment of "special consideration" goods to small Japanese industries hard hit by the trade embargo imposed by the Chinese Communists in May 1958. The Socialists are drawing up a list of items to be presented to Liu Ning-i.

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SOUTH KOREAN ELECTIONS

UN and other foreign observers are agreed that the South Korean parliamentary elections of 29 July were free and conducted fairly, despite isolated outbreaks of large-scale violence. Student-led attacks on campaign personnel, assaults on polling places, and the destruction of ballot boxes seem

er which interfered with balloting.

The overwhelming victory of former Vice President Chang Myon's conservative Democratic party has encouraged an intense factional struggle for the premiership and the presidency which could result in a party split. With more than a two-thirds majority in the powerful lower house of the National Assembly, the Democrats are about equally divided between Chang's supporters and opponents. The poor showing of the new left-of-center reformist parties has removed a strong impetus for conservative unity. Some members of the anti-Chang faction argue that a Democratic party split is essential if there is to be a two-party system instead of a one-party "dictatorship" like that of the Rhee regime.

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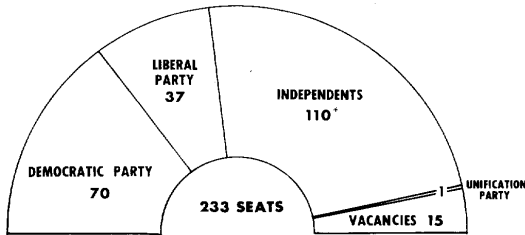
There also is evidence that Chang's opponents may attempt to form a government with the support of independent and former Rhee elements. However, there are strong elements in both factions which favor party

unity, and a split may be avoided by dividing the major offices between the competing factions.

Incomplete returns indicate that the Democrats also will control the 58-seat upper house, which elects the President, in

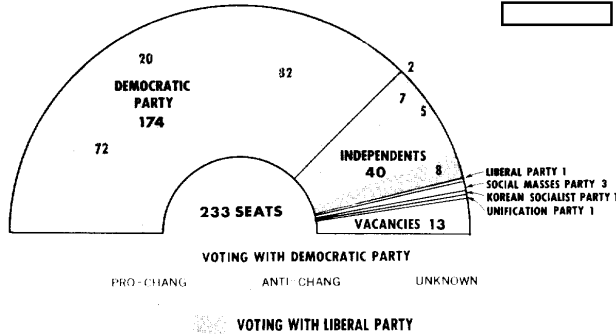
**SOUTH KOREA: NATIONAL ASSEMBLY
HOUSE OF REPRESENTATIVES (LOWER HOUSE)**

PRIOR TO 29 JULY 1960 PARLIAMENTARY ELECTION



*Includes about 100 former members of the Liberal party who left the party following Rhee's ouster.

29 JULY 1960 PARLIAMENTARY ELECTION
(RETURNS AS OF 3 AUGUST 1960)



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to have occurred in most instances when it appeared that candidates associated with the discredited Rhee regime would be elected. Election officials have recommended that new elections be held in 13 of the country's 233 lower-house election districts because of the disturbances or inclement weath-

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joint session with the lower house. Under the new constitution, the post is intended to be nonpartisan and largely ceremonial. Acting chief of state Huh Chung has emerged as a likely presidential candidate

because of his national stature and lack of official party ties. Huh also is close to the anti-Chang Democrats and would be an attractive balance should Chang receive the premiership.

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TURKEY

The military regime that seized power in late May from the Bayar-Menderes government in Turkey appears, after two months, to have consolidated its authority and to be in firm control. Despite the country's many political and economic problems and the earlier uneasiness of the new regime, interim Premier Gursel and other leaders are apparently gaining confidence as they adjust to running the government. This makes it likely that the young military officers, having enjoyed power and prestige accompanying high political authority, will be reluctant to return to troop command.

There are signs, however, that enthusiasm for the regime is diminishing as the realization spreads that Turkey faces an indefinite period of difficult times and austerity. Recent provincial tours by members of the ruling National Unity Committee (NUC), including General Gursel, and by other government officials, teachers, and students to explain the reform movement are probably designed to counteract this trend. The theme of their pep talks has been the importance of unity, morality, education, and hard work.

Instances of individual and some organized expressions of antiregime sentiments continue to be reported. There are also reports of what appears to be an organized campaign of clandestine opposition in some areas. The American Consulate in Iskenderun has reported indications of increasing discontent in the

Antakya area of southern Turkey. Anti-Gursel and pro-Menderes slogans have been appearing on walls and doorways throughout the city, but no arrests have yet been made for this reason.

These protests may have been inspired more by religious than political sentiments, in fear of a return to the laicism of the early days of the republic in contrast to the more tolerant attitude of ousted Prime Minister Menderes toward religious activity. Supporters of the formerly predominant Democratic party may also be trying under cover of religion to revive pro-Menderes sentiment.

There is considerable unhappiness in the business circles of the larger cities over the continuing business stagnation. Lower income groups, feeling the pinch of unemployment and high prices, are losing hope that the new regime will improve their situation. Some businessmen believe economic conditions may ease by September, but they apparently do not expect any substantial improvement until a new permanent government is installed.

The problem is particularly acute in Istanbul, where widespread unemployment is fostering the spread of hunger and hardship among the poverty-stricken who have migrated in recent years from the provinces. Such areas of discontent would present a problem during any period of political instability that might develop.

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Recent decisions of the new regime demonstrate continuing sensitivity to the possibility of civil unrest. On 2 August revolutionary courts were established to deal with "malicious persons" who are trying to confuse public opinion by means of lies and false rumors. The official radio has also de-

clared that misuse of freedoms brought about by the 27 May reforms "will not be permitted in any way," and, according to one press report, the Turkish armed forces have been alerted to "be vigilant lest certain misguided persons should stir up others...to provoke regrettable incidents."

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NEW INDIAN STATE OF NAGALAND

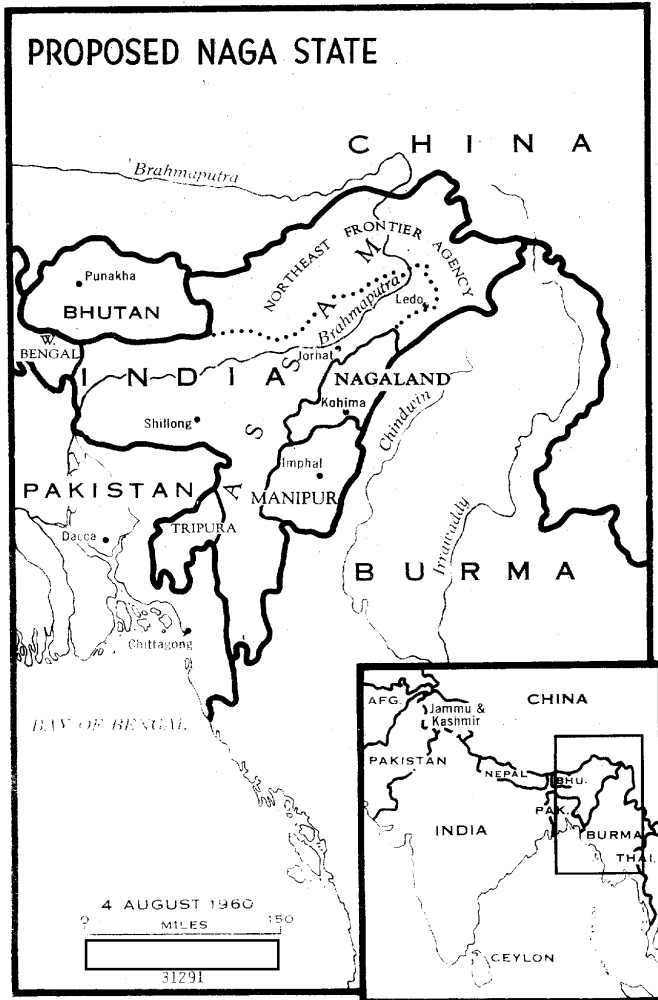
New Delhi's decision to accede to the demand of moderate tribal leaders for the creation of a Naga state within the Indian Union is aimed at ending the seven-year-old rebellion in the

northeastern frontier area of India. This decision is likely to provoke repercussions among other tribal, regional, and linguistic groups like the Sikhs and the Manipuris, who also

seek special recognition within the union. Indian Government leaders presumably feel, however, that the need for stability in the frontier area takes priority over other considerations.

The new state-- India's 16th--will be called Nagaland and will comprise the roughly 6,000 square miles now included in the Naga Hills and Tuensang district of Assam State. The governor of Assam will be appointed concurrently as governor of Nagaland, and the new state will share the services of the Assam High Court. Tribal representatives, meeting as a constituent assembly, will advise the governor during the transitional period--probably about 3 years. Ultimately, there will be a legislative assembly to which ministers will be responsible.

In reluctantly agreeing to the Naga demand, Nehru and his



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government have once again reversed themselves and the ruling Congress party on the question of further political subdivision of India. They have granted statehood to one of India's most backward regions, an area whose administrative costs have been 80 times its revenues and some of whose tribes gave up head-hunting only during this century. New Delhi built up moderate elements in the Naga leadership and now has come to terms with them in hopes of undercutting extremists like A. Z. Phizo who demand complete independence from India.

Nehru has warned the extremists that he will not tolerate continuing rebellion. He has said that the governor will have "special responsibility for law and order during the transitional period and for so long as the... situation continues to be disturbed..."; the governor will also have special controls over funds to be supplied to the state by New Delhi. These special powers exceed those constitutionally accorded India's other governors, whose roles are largely ceremonial, and should serve to protect the nation's interest in this strategic frontier area. [redacted]

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LEFTIST PRESSURES IN MEXICO

Mexican President Adolfo Lopez Mateos and other leaders of the long-dominant party of Revolutionary Institutions (PRI) are concerned over mounting leftist pressure on the government. They are particularly disturbed by an apparent rise in the popularity of leftist ex-President Lazaro Cardenas, who has become increasingly critical of the government's alleged lack of progress toward goals of the 1910 revolution. On 6 June, Cardenas indirectly attacked the government's agrarian policies and reportedly warned that "Mexico is not immune to a revolution." It was reported on 27 June that consideration was being given to the formation of a new Mexican Socialist party, headed by Cardenas and probably including Mexico's three Communist and Marxist parties.

Within the labor movement, a small but active leftist group recently organized a new trade union coalition which--if it succeeds--could threaten the dominant position of the Mexi-

can Confederation of Workers, long the backbone of the important labor sector within the PRI. There is little evidence, however, that Communist penetration of the administration is a serious problem, or that any top government leaders are Communists.

The administration has sought to counter the rising leftist challenge by assuming a more radical appearance. In a statement on 24 June, PRI chief Alfonso Corona del Rosal defined the government's policy as one of the "moderate left," and the President himself affirmed on 1 July that his government was, "within the Constitution, one of the extreme left."

There is considerable evidence that Mexico's equivocation on the Cuban question has been largely due to the efforts of a leftist minority to force the government into a firmer pro-Castro stand. Government spokesmen have maintained that the warm reception given visiting

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Cuban President Dorticos in June and the administration's refusal to disclaim the pro-Cuban statements of two Mexican congressmen in July were designed to prevent increasing leftist activity from threatening domestic stability.

While many government leaders privately deplore the ex-

cesses of the Castro regime, it is unlikely that they will show open hostility to it, since a large number of Mexicans--perhaps led by Lazaro Cardenas--still find a close parallel between the goals of the Cuban and Mexican revolutions.

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TRUJILLO MANEUVERING TO AVERT OAS SANCTIONS

The resignation of Dominican President Hector Trujillo--brother of the dictator--and the elevation of Vice President Joaquin Balaguer to the presidency, as well as changes in the military high command, are probably additional steps by Generalissimo Rafael Trujillo to create a more favorable attitude toward the Dominican Government before the meeting on 16 August of the Organization of American States (OAS) foreign ministers. The meeting is to consider Venezuela's charges that the Trujillo dictatorship is guilty of aggression and complicity in the assassination attempt against Venezuelan President Betancourt on 24 June.

The Generalissimo probably is convinced that the United States and most other OAS members will recommend some form of multilateral action against the Dominican Republic after their foreign ministers meet. The Venezuelan foreign minister told Ambassador Sparks on 3 August that Mexico will break diplomatic relations with Trujillo before the meeting. Six Latin American nations have severed their diplomatic ties with Trujillo since June 1959, and three others maintain no diplomatic representatives in Ciudad Trujillo.

The Dominican Government also is facing serious economic

problems that may be compounded by a shipping boycott being promoted by the AFL-CIO and other western hemisphere unions. The International Transport Federation, meeting in a world congress in Bern, passed a resolution on 28 July urging all American governments to break diplomatic relations with Trujillo and to impose severe economic sanctions against his regime. The country already faces oil shortages as a result of Venezuelan pressure on normal petroleum suppliers in the Netherland West Indies to refuse oil shipments. Alternative sources will be more expensive, and there is some danger that sharp cutbacks in electric power will be necessary.

Trujillo reportedly is confident that he can relieve some of these pressures if he removes evidence of his control over the government. President Balaguer already has replaced two of the dictator's relatives serving as secretary of state for the armed forces and as chief of staff of the armed forces. The posts have been filled by Major General Jose Roman and Brigadier General Fernando Sanchez respectively.

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The anti-Trujillo underground is known to associate Balaguer and Sanchez with atrocities carried out against enemies of the regime and there is little likelihood that members of the underground will remain satisfied with any government in which these men were prominent. Only the removal of the dictator, his family, and close cohorts is likely to mol-

lify the hatred of the Trujillo dictatorship inside the Dominican Republic as well as elsewhere in the hemisphere.

General "Ramfis" Trujillo, son of the dictator, has left for Europe, and on 31 July Minister Without Portfolio de Moya left the republic. One of his secretaries, who is seeking asylum in the Mexican Embassy, says that De Moya will probably not return. Sufficient preparations apparently have been made so that the Trujillo family could depart quickly if the situation seriously worsened.



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ICELANDIC-BRITISH FISHERIES DISPUTE

The Icelandic Government has given no sign of readiness to begin negotiations when the three-month "truce" in its dispute with Britain over fishing limits expires on 13 August. Recently Britain indicated willingness to negotiate on the basis of Iceland's 1958 proposal providing for a 12-mile fisheries limit, with a period of three years for phasing out historic rights and revising certain base lines. Prime Minister Thors, however, has taken the position that Britain has nothing to offer Iceland in these negotiations. He waved aside the British threat to embargo Iceland's fish, saying the USSR would buy it.

Reykjavik's reluctance to negotiate stems largely from

domestic political reasons. With the Communists and other extremist groups exploiting the issue and demanding unconditional acceptance of the unilaterally extended 12-mile fishing limits, the strongly pro-Western regime cannot afford to settle for anything less. Thors may feel that with opinion so deeply aroused, the only practical solution is to ask NATO or the United Nations for mediation.

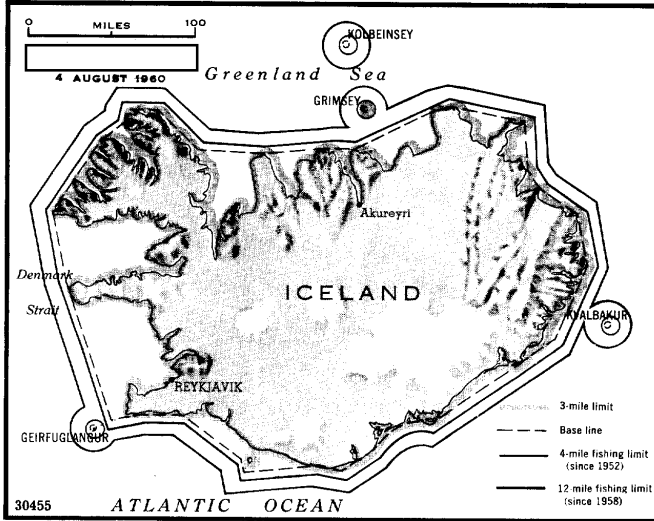
Such a course would permit Iceland to accept a moderate solution to the problem--provided the 12-mile principle remained intact--and would also deprive the Communists of their chief means of weakening Iceland's ties with NATO. Communist strategy has been to insist that Iceland's NATO partners,

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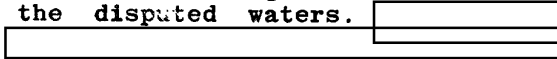
land from British "aggression."

The Icelandic Government is probably hopeful that the Western allies will intercede with Britain in order to prevent active resumption of the dispute, which might force the Thors government into extreme measures. Iceland's justice minister told a member of the US Embassy in May that Iceland would withdraw from NATO if British

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particularly the US and its Keflavik-based defense force, intervene and protect Ice-

naval vessels again entered the disputed waters.



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PART III**PATTERNS AND PERSPECTIVES****EUROPEAN UNITY: PROBLEMS AND PROSPECTS**

The mutual tariff discrimination which began between the European Economic Community (EEC or Common Market) and the European Free Trade Association (EFTA or Outer Seven) on 1 July was a decisive development affecting the evolution of an integrated Europe. By failing to persuade the EEC to water down its economic and political objectives for the sake of a broader and looser European association which would avoid such discrimination, the EFTA has defeated in its major purpose.

In consequence, most of free Europe seems divided for the foreseeable future between the six Common Market countries, whose ties daily become closer, and the Outer Seven, whose prospects for achieving a similar degree of unity are remote. The

economic repercussions are almost certain to be felt in the political sphere if the breach widens over the next few years, and the possibility of closing it will depend more and more on fundamental decisions which Britain, leader of the EFTA, seems reluctant to take.

Economic Situation in EEC

The Common Market--France, West Germany, Italy, and the Benelux countries--has evidently emerged from the dispute with major advantages over the rival grouping. The member countries have shown remarkable economic strength in the period since their association became effective in 1958, even with statistical allowance for the recession in that year. Intra-Community trade, which increased 19 percent last year, exceeded

THE OUTER SEVEN, COMMON MARKET, AND UNITED STATES

COMPARATIVE ECONOMIC DATA	OUTER SEVEN			COMMON MARKET SIX			UNITED STATES			
	1950	1958	PERCENT INCREASE	1950	1958	PERCENT INCREASE	1950	1958	PERCENT INCREASE	
POPULATION	million	85	88	4%	155	167	8%	152	174	15%
GROSS NATIONAL PRODUCT	billion dollars	51	87	71	75	156	108	261	402	54
PER CAPITA GNP	dollars	600	989	65	483	934	93	1717	2310	35
FIXED INVESTMENT	billion dollars	6.3	11.6*	84	11	24*	118	37	59*	59
TOTAL EXPORTS	billion dollars	10	16	60	9	23	156	10	18	80
PER CAPITA EXPORTS	dollars	117	183	56	60	136	127	66	102	55
TOTAL IMPORTS	billion dollars	12	19	58	11	23	109	9	13	44
PER CAPITA IMPORTS	dollars	139	214	54	73	137	89	57	73	28
* 1957 FIGURES										
INDUSTRIAL COMPARISONS										
PRODUCTION										
STEEL	million metric tons	19	25	32%	32	58	81%	88	77	-12%
COAL	million metric tons	221	221	0	217	246	13	508	381	-25
CEMENT	million metric tons	15	20	33	28	52	86	38	52	37
ELECTRICITY	billion kwh	96	190	98	118	227	92	389	720	85
MOTOR VEHICLES	millions	.8	1.4	75	.8	3	275	8	5.1	-36
CHEMICAL INDUSTRY	index: 1950=100	100	130	30	100	227	127	100	145	45
TEXTILE INDUSTRY	index: 1950=100	100	87	-13	100	127	27	100	88	-12
ALL INDUSTRIES	index: 1950=100	100	126	26	100	181	81	100	120	20
PETROLEUM										
CONSUMPTION	million metric tons	24	53	121	22	68	209	320	442	38
MERCHANT SHIPPING	million gross tons	28	34	21	10	17	70	28	26	-7

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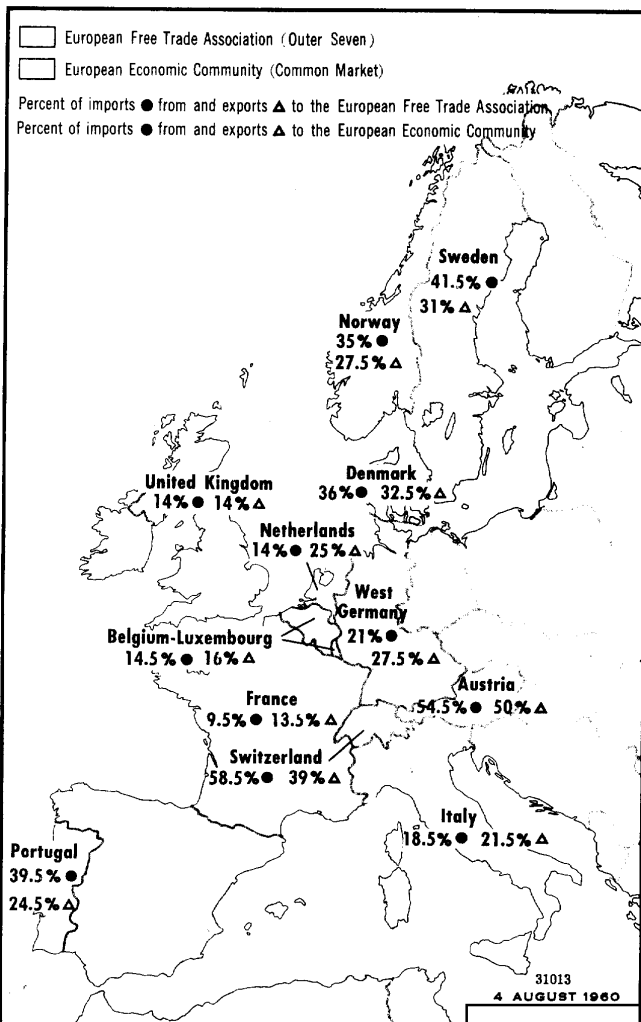
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the 1959 rate by 37 percent in the first quarter of 1960. Exports are increasing roughly twice as fast to members as to non-members, and in the first quarter of this year the Common Market's industrial production as a whole was 14 percent higher than a year ago.

French stabilization is an important factor in these developments, and EEC officials themselves have been cautious in claiming direct results from the 20-percent intra-Community tariff reduction instituted to date. Indirectly, however, the stimulative effect of the EEC has been clear--in business planning for the larger market, in the high level of foreign and domestic investment in the EEC, and in the wave of business reorganization. Both direct and indirect effects of the Common Market will be sharply accelerated under the revised treaty schedule adopted last May, which is expected to result in a reduction of from 40 to 50 percent in intra-EEC tariffs by the end of next year.

It is generally recognized that many of the Common Market's most difficult economic problems are still to be faced if its full potential is to be realized. Restrictions other than tariff barriers on freer trade are for the most part still to be eliminated, the common agricultural policy has not proceeded beyond the negotiating stage, and the coordination of national economic and fiscal policies remains a serious challenge. Nevertheless, rapid progress is being made toward a full economic union, and if current



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rates of growth are maintained, the Common Market is well on its way to becoming--as EFTA spokesmen nervously predicted--a "most formidable combination of skill and capital."

Economic Situation in EFTA

Retention of equal access to the "economic heartland" of Western Europe is the major objective of the Outer Seven--Britain, Austria, Switzerland, Portugal, and the Scandinavian countries. Their own 20-percent reduction of tariffs on 1 July--which brought the EFTA abreast of the EEC in internal tariff reductions--was intended primarily to preserve this possibility. As the prospect of a broad association has

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progressively receded, however, the Outer Seven has had to emphasize the alternative possibility of encouraging economic growth and efficiency through freer trade among themselves.

The EFTA has not been in existence long enough to have had a direct impact on the economies of its members, but, as in the case of the EEC, anticipatory reaction to future tariff adjustments is evident in moves by producers to establish new marketing outlets and by purchasers to shift to EFTA suppliers. Swiss banks have for some time refused loans to EEC firms and, with or without official encouragement, ties among EFTA financial institutions will ultimately be strengthened. Evidence of actual trade diversion is thus far equivocal: Austrian trade has recently shown a slight shift away from the EEC in favor of the EFTA, but Swiss trade statistics in May actually showed a reverse tendency.

It seems unlikely in the long run that the EFTA will have an economic impact equivalent to that of the EEC. Danish Foreign Minister Krag recently observed that since tariffs are already low in the Scandinavian countries, the initial percentage reductions will have little significance. He also cited differences in tastes and the geographical dispersion of the EFTA members as obstacles to a major expansion of trade.

Moreover, Britain has failed in the last decade to demonstrate an economic vitality equal to either France's or West Germany's. From 1950 to 1959, industrial production in Britain increased 29 percent, as compared with 72 percent for France and 125 percent for West Germany. In contrast with the 4- to 5-percent annual increase

in gross national product which the EEC expects to maintain, British GNP is expected to increase less than half as much this year.

Political Situation

The EEC also enjoys certain political advantages providing a compelling unifying force lacking in the EFTA. Many of the reasons for this are historical. Britain's refusal to participate in the Coal-Steel Community when it was proposed in 1950 cost London the leadership of the integration movement. While this leadership was momentarily retrieved when the European Defense Community project failed and the Western European Union was substituted, London failed to exploit its opportunity. It stood aside when the Common Market was proposed in 1955, and its two other major initiatives--Foreign Secretary Lloyd's "Grand Design" in 1957 and the abortive all-European free trade project--were both spurned on the Continent.

The EFTA thus suffers both from the fact that it is outside the main stream of the European movement and from the essentially negative quality of its political purposes--the maintenance of a common front against the EEC and a common rejection of EEC institutions. Although ostensibly apolitical, the Outer Seven grouping has recently tended to claim that the "cooperative" approach will eventually produce significant political ties. How far this can go is questionable, however, in view of the political limitations imposed by Swiss, Austrian, and Swedish neutrality. Moreover, although the EEC's institutions have not operated in the supranational way their founders had hoped for, they have given the EEC a kind of direction and guidance which the EFTA is almost certain to miss.

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EUROPEAN COMMUNITY INSTITUTIONS			
EUROPEAN ECONOMIC COMMUNITY (EEC) COAL-STEEL COMMUNITY (CSC) EURATOM			
GENERAL PURPOSE	EXISTING MAJOR INSTITUTIONS*	PRESENT FUNCTIONS	ORGANIZATIONAL CHANGES IN PROSPECT
PARLIAMENTARY CONTROL	<p>EUROPEAN PARLIAMENTARY ASSEMBLY</p> <p>142 members chosen by national parliaments of 6 member countries.</p>	Reviews and debates annual reports of the three communities. May compel executive commissions and CSC High Authority to resign.	<ol style="list-style-type: none"> 1. Pending draft convention would increase membership to 426, two thirds to be elected by universal popular suffrage. 2. New assembly would retain present powers, but future relationship to commissions and councils under debate.
POLICY FORMATION, COORDINATION, & EXECUTION	<p>EEC COUNCIL OF MINISTERS CSC COUNCIL OF MINISTERS</p> <p>EURATOM COUNCIL OF MINISTERS</p> <p>One cabinet-level representative of each state, usually foreign or economic ministers.</p>	Formulate general community policies and harmonize related national policies. Majority principle tends to replace unanimity as treaties are implemented.	<ol style="list-style-type: none"> 1. France has proposed permanent "political secretariat" to organize periodic meetings of heads of state and their ministers. 2. New community council would assume over-all direction community affairs and coordinate members' foreign policies.
	<p>EEC COMMISSION CSC HIGH AUTHORITY</p> <p>EURATOM COMMISSION</p> <p>5-9 members appointed by agreement among member states or co-opted.</p>	Generally supervise application of the three treaties. Recommend community policies--in some cases councils must be unanimous to overrule.	<ol style="list-style-type: none"> 1. Three executives would be fused into single commission and enlarged. 2. New commission would probably retain existing powers of its predecessors. 3. France would reduce commission to purely administrative tasks; federalists would increase its powers but subordinate it to Assembly.
JUDICIAL CONTROL	<p>COURT OF JUSTICE</p> <p>7 judges and 2 advocates appointed by agreement among the member states.</p>	Interprets and reviews legal application of the three community treaties.	No early change in prospect.

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*Several other community agencies exercise important advisory or operational functions.

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EEC Political Problems

While the cohesion of the European Community has by contrast been demonstrated in a number of crises--notably, by its survival of the rebirth of French nationalism under De Gaulle and in its resistance to the attraction of the free trade area--it is equally evident that the political problems of increasing maturity are approaching.

The problem of all-European unity, shelved in effect for the time being, will impose increasing strains as time goes on. Major political uncertainties in the three largest EEC countries--whether republican government survives in Italy and who succeeds Adenauer and De Gaulle--are obviously of critical importance to the Community's future. Moreover, the rapid progress toward full economic union is in itself bringing to the fore the Community's basic institutional problems.

These institutional questions involve both the unresolved conflict between the Community and French national

aspirations, and the long-standing schism between those favoring a federated community and those who would settle for less. In the next few months, decisions will have to be taken which may well determine whether these fundamental issues are susceptible to compromise. For example, strong support has recently developed for early fusion of the executive commissions of the EEC and Euratom and the High Authority of the CSC. It seems increasingly doubtful that this can be achieved without reopening the question as to what powers the resulting single executive would have.

The election by universal suffrage of the European Parliamentary Assembly, a project long advocated by the federalists and now awaiting ministerial approval, raises the same problem. A "European election" would considerably enhance the assembly's prestige, but the extent to which real parliamentary control over Community policy can be developed depends on the specific powers the assembly is given vis-a-vis the executives--and, more importantly,

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the councils of ministers, which now represent only the states.

An even more challenging problem than these has been the apparent disposition of Paris to press for the creation of a permanent "political secretariat" which, under the authority of the six foreign ministers, would coordinate the foreign policies of the member countries. Touted by the French as a major concession to the general desire for increasing political solidarity, this concept has in the past aroused deepest suspicion, particularly among the smaller EEC members. As they and the federalists see it, this is a Gaullist alternative to any further advances toward a supranational union and a device which would serve the aspirations of Paris to lead a bloc of Continental satellites.

The Outlook

The European movement has probably approached a major transitional stage.

The EEC as it now stands is largely of French inspiration, and its future course is largely dependent on the French. During the past two years the idea of full economic union seems to have gained general--even enthusiastic--French acceptance, and no French government is likely to discard it. Hostility to the supranational principle has persisted, however, even though De Gaulle has recently made a reference to "European grandeur" and to the possibility of an "imposing confederation." Jean Monnet, the Community's spiritual mentor, is confident that economic union will ultimately and inevitably bring the requisite political institutions, but he has

seemed increasingly uncertain of the form they will take.

The 29-30 July meeting in Paris between De Gaulle and Adenauer was apparently taken up with these problems, but whether a workable institutional formula has been devised remains to be seen. Spokesmen for both sides have professed satisfaction with the "precise steps" toward greater political unity agreed upon, but there is still a basic conflict between the language of the French--who continue to refer to inter-governmental cooperation--and Adenauer's traditional devotion to a more organic union. Moreover, any such formula has yet to be sold to the smaller EEC countries, which will think twice before trading the hope of a supranational community within a broader Atlantic framework for a looser grouping around Paris and Bonn which might compete with NATO.

A community more confederal than federal in inspiration would place the problem of all-European unity in a new context. It would probably not, however, make any easier the difficult decisions Britain primarily must make. Since the collapse of the summit conference there has been a chorus of demands from influential sectors of the British press and from some members of Parliament for a major reassessment of policies, lest the United Kingdom become a "group of windy islands off the Atlantic coast of Europe."

A reassessment is in process, but thus far it seems only to have rediscovered the old arguments against a "plunge into Europe"--plus a new one, Britain's obligations to the EFTA. This is probably the beginning of the reappraisal, however, not its end. 25X1

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SOVIET BLOC OIL EXPORTS TO THE FREE WORLD

Oil exports from the Soviet bloc to the free world this year may reach a new high of about 22,000,000 metric tons, even though there has been a world surplus of oil and the free world's increase in oil consumption during 1960 is expected to be less than 10 percent. The rise in exports has been possible because of increased production in the bloc and willingness to accept payment in soft currencies and in commodities for which there is limited demand in the world market.

The current rate of bloc oil exports to the free world, most of which come from the USSR, is about four times greater than in 1955, when such exports first attained commercial importance. Last year bloc oil was imported by 25 countries, 13 of them--including the European Common Market countries--industrial nations. Thus far this year, Cuba, India, and Guinea have been added to the list. The USSR supplied 79 percent of last year's total; next was Rumania, which provided 13 percent.

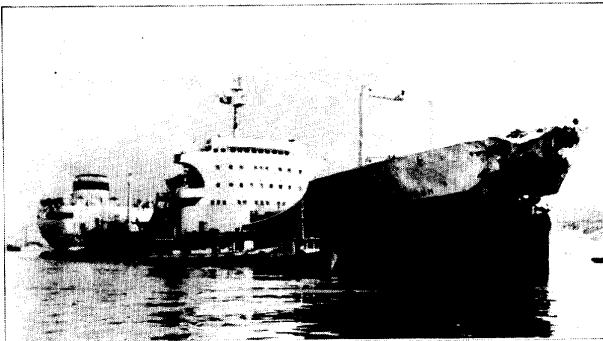
The Soviet-Cuban trade agreement concluded in February provides for the supply of Soviet crude oil and petroleum products in return for sugar. In April, Havana announced a

contract for the delivery of 600,000 tons of Soviet oil, and later the three major foreign oil refineries in Cuba were informed that each would have to process 300,000 tons of Soviet crude this year. As a result of Castro's recent expropriation of these refineries, Cuba now is almost entirely dependent on the bloc for its oil requirements--about 3,000,000 tons a year.

India agreed in July to purchase 1,500,000 tons of Soviet petroleum products during the next four years for \$42,000,000, with payment to be made in rupees. The first shipment is scheduled to arrive this month.

Under the terms of a barter agreement with the USSR, Guinea has arranged for the delivery of petroleum products in exchange for bananas. The total quantities involved and the duration of this agreement are not known. Petroleum shipments thus far in 1960 have totaled about 8,500 tons--a two-month supply for Guinea.

Sales to Western Europe still account for about two thirds of all bloc petroleum exports to the free world. The Soviet Union has emphasized the development of markets in the industrial West--and lately in Japan--in order to obtain capital equipment needed for the fulfillment of the Seven-Year Plan. Bloc exports to Italy, Sweden, and Japan are expected to increase during the next few years. In the long run, however, the underdeveloped countries may assume greater significance in the bloc's over-all activity through the



The Soviet oil tanker Peking, carrying 25,693 tons of crude oil, arriving in Havana. The tanker's bow was damaged by a collision with a Norwegian tanker en route.

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acceptance of aid for the construction of refineries and technical assistance for petroleum surveys and drilling operations.

The rapid increase in bloc exports is due to a number of factors. The USSR increased its crude oil production from 70,800,000 tons in 1955 to 129,500,000 tons in 1959, outstripping both internal consumption and the construction of refineries. Thus the Soviet Union has an increasing quantity of oil available for export. Furthermore, this quantity will probably continue to increase, since domestic consumption is expected to lag behind rising production during the 1959-65 plan period.

The continued growth of petroleum exports from the bloc must be accompanied by improved petroleum transportation facilities. By 1965 the Soviet Union plans to complete pipelines to the oil export terminal under construction at Klaypeda on the Baltic Sea and to the port of Tuapse on the Black Sea.

Exports in 1959 amounted to only 3 or 4 percent of the petroleum moving in international trade. Nevertheless, bloc oil accounted for a sizable part of the total supply in seven free-world countries, ranging from about 27 percent of the total supply in Greece to almost 80 percent in Finland.

Soviet Export Policy

Soviet export policy is governed by both political and economic considerations. The USSR has expanded its market among the underdeveloped nations by demonstrating a willingness to accept payment in soft currencies or in commodities for which these countries have a limited market. The bloc has agreed to barter various raw materials, including oil for cotton from Egypt,

sugar from Cuba, wool from Uruguay, hides from Argentina, coffee and cocoa from Brazil, and bananas from Guinea. Moscow has even agreed not to resell any of these bartered commodities to the countries' usual customers.

The degree, if any, to which Moscow has undercut established world prices for oil is impossible to define. International oil companies have granted discounts for several years, and in India have reduced prices to compete with the recent Soviet oil offer there. [redacted] 25X1 25X1

[redacted] discounts offered by the USSR are similar to those [redacted] 25X1

BLOC OIL EXPORTS TO THE FREE WORLD
(THOUSAND METRIC TONS)

UNDERDEVELOPED COUNTRIES	CRUDE OIL	PRODUCTS	TOTAL	BLOC EXPORTS AS PERCENT OF CONSUMPTION
ARGENTINA	201	282	483	3.4
AFGHANISTAN		42	42	
BRAZIL	59		59	.5
EGYPT	976	1,180	2,156	45.0
SYRIA		453	453	56.6
GREECE	267	292	559	27.3
ICELAND		352	352	70.4
LEBANON		59	59	7.1
TUNISIA AND MOROCCO	64	55	119	4.2
URUGUAY	322	181	503	34.3
YUGOSLAVIA	332	71	403	33.3
TOTAL	2,221	2,967	5,188	
INDUSTRIALIZED COUNTRIES				
AUSTRIA	448	346	794	32.0
BELGIUM/LUXEMBOURG	17	602	620	8.7
DENMARK		84	84	1.9
FINLAND	914	927	1,841	78.0
FRANCE	41	908	949	3.6
WEST GERMANY	309	1,573	1,882	6.8
ITALY	2,369	879	3,248	18.0
JAPAN	90	46	137	.8
NETHERLANDS	115	1,230	1,345	13.0
NORWAY	48	280	328	9.8
SWEDEN	90	1,375	1,465	13.4
SWITZERLAND		89	89	2.4
UNITED KINGDOM	22	91	113	.3
TOTAL	4,463	8,430	12,895	
GRAND TOTAL	6,684	11,397	18,083	

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granted by any new supplier who wishes to gain entry into an established market. The bloc has capitalized on its ability and willingness to provide oil on such attractive terms that price cuts are unnecessary.

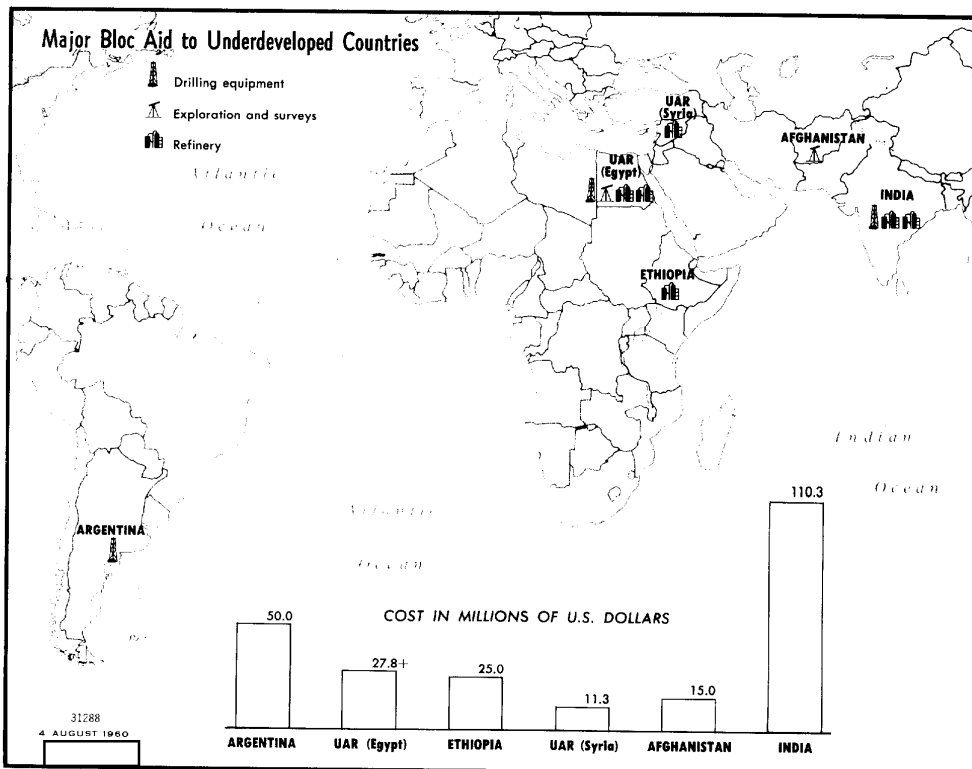
Aid and Technical Assistance

The bloc has used offers of credit and technical assistance to underdeveloped countries to foster closer ties and reduce their reliance on Western suppliers. Credits of more than \$240,000,000 have been extended to these countries for the development of petroleum resources, mainly for refinery construction and technical assistance in exploration.

Czechoslovakia has completed construction of a refinery for Syria, and bloc aid for construction of refineries

is being provided to Egypt and India and has been offered to Ethiopia. A similar offer presumably was made to Afghanistan following the recent Soviet discovery of oil there. Soviet technicians may construct a refinery in Cuba as part of the \$100,000,000 credit granted by the USSR, and Brazil is considering Soviet technical guidance for the construction of a shale-oil plant. Bloc aid for petroleum development is also being extended to Argentina, Iraq, Cambodia, and Indonesia, and assistance reportedly has been offered Greece and Iran.

Such aid is attractive to underdeveloped countries wanting to decrease expenditures of scarce foreign exchange, and it appeals to their nationalistic aspirations for a domestically owned industry. The development of refining capacity not



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controlled by Western companies should create market conditions more favorable for the sale of bloc crude oil. Moreover, installation of equipment and refineries by the bloc will tend to create a continuing dependence on it for replacement equipment and spare parts.

Prospects for Bloc Exports

While continuing to expand its oil exports to established markets--especially in the industrial countries--the bloc will persist in its efforts to find new outlets in the underdeveloped areas. Bloc crude may be imported into India when construction of the government-owned refineries is completed in 1962.

Western oil companies have declined to process Soviet crude oil in India. It is unlikely that India will insist, as Cuba did, that the oil companies accede to such a proposal. India could, however, import additional quantities of products from the USSR and, in effect, displace a corresponding quantity of Western petroleum in the expanding Indian market. Bloc crude will probably also find a market in Ethiopia if Moscow constructs a government-owned refinery there.

In the years to come, the bloc can be expected to attempt to take advantage of opportunities such as occurred in Cuba recently. Despite the restrictions inherent in the Soviet economic system, Moscow moved

quickly to accommodate Cuba--although this undoubtedly will require some readjustments in the Soviet oil industry's planned operation for this year. The Soviet Union has its limitations, however, and it is unlikely that Moscow could accept additional large-scale commitments in the near future.

In the past, a serious obstacle to marketing of bloc oil has stemmed from the scarcity of distribution and storage facilities in the free world other than those controlled by the international oil companies. The government-to-government sales agreements which Moscow has fostered are paying off now. Although the owners of these facilities object, the host governments have forced the companies to handle bloc oil in Iceland, Finland, and Guinea, and Ethiopia may soon do so as well. The favorable position which the oil companies have cultivated through substantial investment in marketing facilities over the years is no longer a serious obstacle to the USSR's marketing effort.

Long-range expansion of Soviet exports to the free world could be limited by rising internal bloc requirements. If the European satellites achieve the rate of industrial growth apparently planned through 1965, the USSR may be called on to provide quantities of oil which would substantially reduce its ability to continue to increase exports to the free world.

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