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1 December 1960

CURRENT INTELLIGENCE WEEKLY SUMMARY



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

PART I

OF IMMEDIATE INTEREST

EAST-WEST RELATIONS Page 1

High Soviet officials have used recent private conversations with Ambassador Thompson to emphasize their desire for an improvement in US-Soviet relations. These overtures appear to be part of a concerted effort, which began last September with Khrushchev's talks with Prime Minister Macmillan, to lay the groundwork for a return to high-level negotiations after the new US administration is installed. The gestures take on added significance in view of the protracted discussions in Moscow dealing with Sino-Soviet differences, and suggest that Khrushchev continues to disregard Peiping's arguments that his tactics vis-a-vis the West are detrimental to Chinese interests. On disarmament, the Soviet UN delegation is preparing to submit a formal call for a summit-level meeting at a special General Assembly session next spring. [redacted]

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CUBAN AND OTHER MIDDLE AMERICAN DEVELOPMENTS Page 2

Che Guevara's mission to Peiping has obtained a \$60,000 line of credit from Communist China. Cuba's ambassador there presented his credentials on 26 November. In efforts to expand its free world trade, on which it is still largely dependent, the Castro regime has suffered recent setbacks from Japan and Canada. Central America continues to be a target for Cuban subversion, and Communist and pro-Castro groups are making gains in El Salvador. In Haiti, the Duvalier regime faces growing domestic opposition. [redacted]

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FRANCE-ALGERIA Page 6

De Gaulle's sudden changes in high-level French administrators in Algeria last week have thrown his rightist opponents further off balance, but the possibility remains that they may react with violence prior to the forthcoming referendum. The referendum will probably be held on 8 January, and De Gaulle will open the campaign for a favorable vote on his self-determination policy when he begins a tour of Algeria on 9 December. The timing of these moves seems intended to blunt the Provisional Algerian Government's drive for a UN-supervised referendum in Algeria. [redacted]

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PART I (continued)

SITUATION IN LAOS Page 7

Vientiane forces and General Phoumi's troops have been in contact some 100 miles southeast of the capital, but the outcome is unclear. Other Vientiane troops have continued their movement northward for a possible attack on Luang Prabang, which is controlled by a pro-Phoumi garrison. A National Assembly delegation has agreed with Phoumi in Savannakhet to convoke an early assembly session in Luang Prabang aimed at producing a political settlement. Souvanna Phouma will personally head a government good-will mission now scheduled to leave for Peiping and Hanoi on 10 December. [redacted]

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REPUBLIC OF THE CONGO Page 10

Lumumba's escape from house arrest in Leopoldville on 27 November foreshadows stepped-up activity by Lumumba and his followers to gain control in the interior. Lumumba's anticipated arrival in Stanleyville prompted an upsurge in antiwhite sentiment there this week. The Mobutu government has shown an increasing disposition to undertake military operations against the pro-Lumumba political stronghold. [redacted]

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PART II

NOTES AND COMMENTS

MOSCOW MEETINGS Page 1

As the Moscow conference of world Communist leaders enters its fourth, and apparently final, week, Soviet and Chinese leaders continue to express their differences publicly, and disagreements at the private meetings are apparent in the strained atmosphere in Moscow. [redacted]

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[redacted] bitter exchanges between the Russians and the Chinese. The length of the talks, however, suggests that the USSR, while unwilling to accept any of the Chinese positions, is also unwilling to abandon its efforts to work out a declaration which will maintain a facade of unity. [redacted]

WEST - EAST GERMAN INTERZONAL TRADE DEVELOPMENTS Page 3

Bonn has publicly indicated it wants to explore the possibilities for a new agreement with East Germany on interzonal trade. Adenauer's press chief Von Eckardt stated on 30 November that new talks would be conditional on the cessation of East German harassments of Berlin.

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PART II (continued)

Khrushchev's promise to supply East Germany with necessary raw materials and goods in 1961 if negotiations with West Germany fail greatly strengthens Ulbricht's bargaining position. East German officials are apparently seeking to take advantage of differences among West German officials concerning the conduct of negotiations and insist that talks must be on a ministerial level and that West German representatives may not speak for West Berlin.

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UNREST IN VENEZUELA Page 5

The recurrent rioting which began in Caracas on 25 November was promoted by pro-Castro opposition elements and is probably part of a continuing violent campaign to unseat President Betancourt. The rioting may result in further deterioration of Venezuelan-Cuban relations. Betancourt, who suspended constitutional guarantees on 28 November and called in the army to assist in re-establishing order, appears to have the unrest under control for the present, but Venezuela's pressing economic difficulties leave him vulnerable to opposition attacks.

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SOVIET-FINNISH RELATIONS Page 6

The communiqué issued on 24 November at the conclusion of President Kekkonen's four-day visit to Moscow reaffirmed Soviet approval of Finnish affiliation with the European Free Trade Association (EFTA) on condition that this would not prejudice the further development of Soviet-Finnish trade. Soviet concessions to Kekkonen on the EFTA question were probably intended to demonstrate for the Scandinavian countries the benefits of Khrushchev's peaceful coexistence policy. The Finns now will ask the EFTA countries for permission to grant most-favored-nation treatment to Finnish imports of Soviet goods.

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SOVIET TRADE WITH JAPAN Page 8

The Soviet-Japanese trade talks which began in Moscow on 12 November are aimed primarily at drawing up plans for trade in 1961 under the present trade agreement. The issue of extending credits to the USSR for financing purchases of Japanese capital equipment apparently has been settled, and Tokyo is approving such credits on a case-by-case basis. Although actual trade during 1960 apparently will exceed the target of \$125,000,000--more than double the 1959 figure--an excess of imports from the USSR continues; Japanese officials had hoped to remedy the imbalance during the first year of the three-year agreement. Nevertheless, the present trend suggests that Japan eventually may rank with Britain,

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West Germany, and France as a major supplier of machinery and equipment to the USSR. [redacted]

USSR CONDUCTS PUBLIC OPINION POLL ON LIVING STANDARDS . . . Page 9

The USSR's first public opinion poll was recently conducted by the Soviet youth newspaper, Komsomolskaya Pravda. Those polled represented in large measure the higher income groups and were asked if their standard of living had been raised. The standard has generally improved and the answers of the majority were favorable to the regime; press comments on the results explained away the derogatory replies. [redacted]

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HUNGARIAN REGIME FACES DIFFICULTIES IN COUNTRYSIDE Page 11

Serious lags have developed in the fall agricultural campaign in Hungary which will cause underfulfillment in agricultural production plans for this year. Existing organizational weaknesses of the regime, passive peasant resistance, and supply problems will be worsened by the government's recently announced decision to complete agricultural collectivization this winter. Anticipated harvest shortcomings and meat shortages would result in decreased exports and some disruption of economic plans. [redacted]

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EUROPEAN INTEGRATION DEVELOPMENTS Page 12

The political organization of the six-nation European Economic Community and its relationship to NATO will be the basic questions at issue in the 5 December meeting in Paris of the heads of governments of the Common Market countries. De Gaulle, who inspired the meeting and who will also meet privately with Adenauer on 4 December, is expected on both occasions to press his plan for a European "confederation." The other Common Market leaders seem disposed to make some concessions to the French President's point of view, but not to the extent of weakening the Common Market or of endorsing his views on NATO. [redacted]

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ITALIAN MOVES ON SOUTH TIROL ISSUE Page 13

In mid-November the Italian Government began talks with Austrian officials on the rights of the German-speaking minority in northern Italy in a gesture toward complying with the UN General Assembly's October resolution. Italian officials hint their readiness to make limited concessions, presumably by administrative action. More extensive concessions requiring parliamentary action might be blocked by rightist opposition. [redacted]

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UNREST INCREASING IN ETHIOPIA Page 15

Emperor Haile Selassie has shown growing concern over the unrest within Ethiopia's military forces, particularly the Imperial Bodyguard. He has recently ordered transfers of high-ranking military officers and the arrest of several young government officials. The dissension appeared on the eve of the Emperor's present three-week trip to West Africa and Brazil, during which the country will be under the nominal control of the weak crown prince. [redacted]

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BRITAIN AND THE FEDERATION OF RHODESIA AND NYASALAND . . . Page 16

The constitutional review conference for the Federation of Rhodesia and Nyasaland opens in London on 5 December and is expected to be one of the most difficult in recent years. The sharpest difference between the African nationalists and the dominant white minority is over the African demand for acknowledgement of the right of secession from the Federation. London continues to promote a multiracial state but in the past year has tended to favor African aspirations. A breakdown of the conference would increase the likelihood of violence in the area. [redacted]

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INDONESIA Page 17

President Sukarno has resumed his efforts to bring Communists into the Indonesian cabinet despite opposition from the army. [redacted]

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PART III

PATTERNS AND PERSPECTIVES

MOSCOW AND BERLIN Page 1

The Soviet position on Berlin is essentially the same as put forward by Khrushchev two years ago. The key to future Soviet moves lies in the decisions taken in 1955 to gain Western acceptance of the concept of two Germans. Within the framework of a policy of limited risks, Moscow and the East Germans have relied heavily on erosion tactics to weaken the Western position, isolate West Berlin, and reinforce East German sovereignty. While these tactics can be expected to continue and to vary in intensity, it appears from Khrushchev's reluctance to bring about a showdown that he realized the grave dangers in the situation and prefers a negotiated settlement. If, however, Soviet efforts to bring about another summit meeting fail, or if Khrushchev does not obtain his minimum demand for a change in the city's legal status, Moscow may move unilaterally and transfer control of access to Berlin to East Germany.



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THE WORLD SUGAR INDUSTRY Page 7

The international sugar industry in recent years has suffered from overproduction, depressed prices, and growing self-sufficiency among countries formerly having a sugar deficit. This situation has been further clouded in recent months by instability in the Caribbean area, the shifting of American sugar purchases to non-Cuban suppliers, and the emergence of the Communist bloc as a major buyer. The signatories of the International Sugar Agreement, which is to be revised next year, will find it difficult to cope with these shifting trade patterns. The smaller producers are strongly competing for Cuba's share of the lucrative American market, despite the risks of overexpansion.



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SYRIA AND NASIR'S FUTURE Page 12

Although UAR President Nasir has been making some progress in Syria, his rule there continues to be threatened by possible uprisings or by an internal coup with outside support. While failure in Syria and its separation from the UAR would be a devastating blow to his prestige both at home and abroad, even moderate continued success would add to his stature.



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PART I**OF IMMEDIATE INTEREST****EAST-WEST RELATIONS**

High Soviet officials have used recent private conversations with Ambassador Thompson to emphasize their desire for an improvement in US-Soviet relations. In a conversation with the ambassador, First Deputy Foreign Minister Kuznetsov expressed optimism over the prospects for better relations. He indicated satisfaction with Senator Kennedy's election but expressed concern over press reports that the new US administration's first step would be an increase in military expenditures. He urged the ambassador to endeavor to convince the President-elect that the USSR was not seeking to dominate the world by force or other means and that both sides must seek to establish an atmosphere of trust and confidence.

Presidium member Ignatov also stated to Thompson his conviction that the United States and the USSR would re-establish good relations under the new administration. Other Soviet officials have also sought to promote this general line. The chief of the American section of the Soviet Foreign Ministry predicted to Thompson that bilateral relations would soon improve. The minister for higher education made a similar forecast and called for broadening the student exchange program. The Foreign Ministry official also hinted that some move on the release

of the RB-47 crew members might be forthcoming, provided the issue could be settled in the proper "framework."

These overtures are apparently part of a concerted effort, which began last September with Khrushchev's talks in New York with Prime Minister Macmillan, to lay the groundwork for a return to high-level negotiations after the new US administration is installed.

Such gestures take on added significance in view of the protracted discussions in Moscow dealing with Sino-Soviet differences and suggest that Khrushchev continues to disregard Peiping's arguments that his tactics vis-a-vis the West are detrimental to Chinese interests. Khrushchev apparently is seeking to underscore his determination to maintain his "peaceful coexistence" strategy and to reject any concessions to Chinese Communist demands which would imply even a partial repudiation of his policy toward the West over the past three years.

Disarmament and Nuclear Tests

At the UN the Soviet delegation is apparently waiting for an "opportune moment" to

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break the current impasse over various disarmament resolutions by submitting a formal call for the heads of government to attend a special General Assembly meeting next spring. Thus far, the Soviet representatives have withheld the move in order to use it as a counter to a possible neutralist proposal to refer outstanding resolutions to the UN Disarmament Commission. The Soviet UN delegation is also privately attempting to discourage any move to defer action on disarmament until the General Assembly resumes after a Christmas recess, since this would undercut the call for a special session on disarmament only.

Moscow probably sees such a session as a means of establishing early contact with a new US administration and anticipates that a formal resolution could gain wide support and be difficult for the West to reject. Since Afro-Asian opinion strongly supported the abortive resolution last Sep-

tember for renewed East-West contacts, Moscow probably feels these states would line up behind a Soviet proposal for what, in effect, would be a summit meeting with the West on disarmament.

At the nuclear test ban conference, the Soviet delegation has made it clear in private talks that there will be no departures from its present position on major issues. As in the disarmament discussions, Moscow's tactics are to temporize until the new US administration has taken office. Ignatov virtually admitted to Ambassador Thompson that Moscow would make no serious effort to reach agreement at Geneva until after January. In anticipation of a long recess, the Soviet delegation is devoting its conference statements to making a record of alleged Western intransigence. The chief Soviet delegate told American officials privately that it was up to the West to break the deadlock. 25X1

CUBAN AND OTHER MIDDLE AMERICAN DEVELOPMENTS

Che Guevara's economic mission scored an important success with the large-scale trade and aid agreements signed at the conclusion of its two-week visit to Communist China on 30 November. Under the agreement--the largest concluded by

Communist China with a non-bloc country--Peiping will provide a \$60,000,000 interest-free line of credit to be used between 1961 and 1965. It will also import 1,000,000 tons of Cuban sugar next year, double the quantity it had agreed to

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buy annually for the next five years under the agreement signed last July. The Cuban ambassador to Peiping, Oscar Pino Santos, presented his credentials to Chinese Communist leaders on 26 November. In the numerous speeches that accompanied this and Guevara's visit, the alleged similarities between recent conditions in China and present conditions in Cuba--and in Latin America generally--have repeatedly been stressed, along with expressions of eternal friendship between the Cuban and Chinese peoples. The first five officials of the Chinese Communist Embassy arrived in Havana on 28 November, and Ambassador Shen Chien [redacted]

[redacted] is expected shortly.

Announcement of the establishment of diplomatic relations between Cuba and North Vietnam is likely to come as a result of the visit to Hanoi beginning on 28 November by a member of Guevara's mission, Subsecretary of Foreign Affairs Rodriguez Llompart. Guevara, or part of his mission, may also visit Ulan Bator.

The Castro regime, however, suffered at least two setbacks in the past few days in its efforts to expand commercial ties with free world countries, on which it continues to depend for a number of vital

imports and for markets for over half its exports. On 25 November it became apparent that lengthy negotiations with Japan for the purchase of 50,000 tons of Cuban sugar had fallen through, largely because the Japanese found they could purchase sugar elsewhere at a lower price.

These difficulties are probably reflected in Cuban efforts to sell its sugar in other free world countries. The Sino-Soviet bloc purchased about 40 percent of Cuba's sugar exports this year and next year is committed to buy some 2,200,000 tons of a crop that normally exceeds 5,500,000 tons.

The regime has also suffered a setback from Canada, on which it is counting heavily for assistance in overcoming the more critical effects of the United States export controls, particularly in respect to spare parts for sugar mills and oil refineries. A Cuban effort to establish regular commercial flights to Canada as one means of strengthening trade ties was rebuffed by the Canadians on 27 November. Ottawa informed Havana that it was not now prepared to negotiate an air agreement and even refused permission for a single flight by a plane the Cubans claimed was already loaded with tomatoes for Canada.

Although the Castro regime continues its military build-up,

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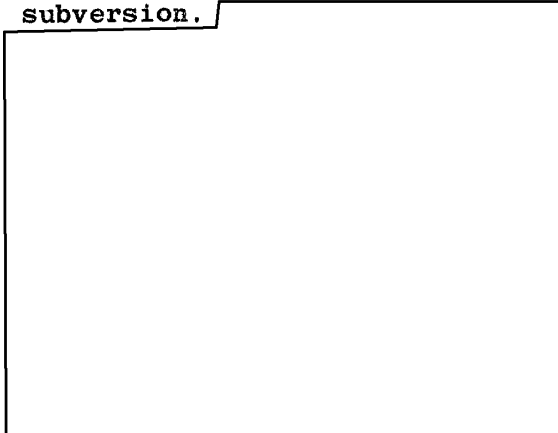
send representatives to Central America to determine "in what form Cuba may help" and, with reference to the situations in Nicaragua and El Salvador, as well as in Guatemala, to study the prospects for the coordination of Central American revolutionary movements.

In Honduras blatant pro-Castro propaganda led to strong and spontaneous outbursts by leaders of the moderately leftist Villeda Morales government on 26 November. President Villeda, who often feels obliged to cater

speeches by Cuban officials now imply that the immediate danger of an "imperialist invasion" has passed.

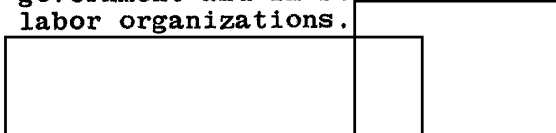
Central America

Central America continues to be a prime target for Cuban subversion.



to the influential pro-Castro left wing of his Liberal party, responded angrily to statements by the pro-Castro Mexican ambassador and accused him and his government of having two faces in foreign policy--one designed to curry the United States' favor and the other to please Cuba. On the same occasion, Villeda's leftist foreign minister publicly questioned the loyalty of Hondurans who had dedicated that week to the "defense of Cuba."

In El Salvador, under the six-man military and civilian junta, Communists and pro-Castro groups continue to consolidate their newly won positions in the government and in student and labor organizations.



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Haiti**BACKGROUND**

Haitian history is marked by alternating periods of dictatorship and anarchy; the collapse of all authority in 1915 led to 19 years of occupation by the US Marines. Dr. Francois Duvalier, who became President in October 1957 after a rigged election and the fall of five governments within a year, has ruled by a mixture of paternalism and terrorism, openly favoring the black masses against the small mulatto elite. Military power is fragmented among the army, the police, the presidential guard, and a civilian militia. Overpopulated Haiti is one of the poorest of Latin American countries. US grant aid this year is \$11,500,000.

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officials are Communists or pro-Communists. These incumbents are preparing to hold trials of officials of the ousted Lemus regime. The governing junta has relinquished control over hiring and firing in the various ministries, thus giving free reign to further pro-Communist appointments and the purging of holdovers.

The Communist-dominated Salvadoran labor federation has announced that it is proceeding with plans to organize peasant committees throughout the country. If the junta permits this, contrary to the practice of previous governments, the Communists would have a potent political weapon. Salvadoran peasants, a generally depressed group with real socio-economic grievances, can easily be manipulated politically.

More than any other development, this tactic would probably strengthen the resolve of anti-Communists, particularly in the military, who are giving serious consideration to staging a counter-coup. These groups probably recognize that the Communists could use the peasants to create an armed militia capable of effectively challenging any future effort by anti-Communists to exert control. The army and the landowning class have long feared a peasant uprising such as occurred in 1932, when a Communist-led insurrection was suppressed by the army only after thousands had been killed.

Haitian President Duvalier imposed martial law on 22 November in response to a student strike he claimed was Communist-controlled and politically motivated. He has ordered a shake-up in the top military command and has intensified the repression of the government's opponents, ranging from pro-Communist to pro-clerical groups. The student strike has been vitiated, at least temporarily, by the government's order closing all schools until early next year.

Although the strike is believed to have been touched off by student resentment over the President's refusal to free a student leader in jail without charges since last September, student leaders are apparently sympathetic to the Castro regime, and the possibility of Cuban influence in the strike cannot be eliminated. The regime's reaction to the strike suggests, however, that it is using it primarily as a pretext for another of its periodic moves against the opposition.

American officials in Port-au-Prince report speculation that the government's emphasis on its charges of Communist involvement in the strike may have been a further effort by

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Duvalier to convince the United States that Haiti has a serious Communist problem and needs massive new aid.

The government nevertheless faces a serious domestic problem. Its police excesses and the alienation of the Roman Catholic Church following the summary expulsion of the archbishop--an old opponent of the President--have intensified and widened anti-Duvalier feeling, which was already strong in the

capital. Although the regime appears at the moment to be controlling the situation, elements within the government and the army may seek to capitalize on the President's growing unpopularity by attempting to overthrow him.



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FRANCE-ALGERIA

De Gaulle's sudden changes in high-level French administrators in Algeria last week have thrown his rightist opponents further off balance, but the possibility remains that they may react with violence prior to the forthcoming referendum. The referendum will probably be held on 8 January, and De Gaulle will open the campaign for a favorable vote on his self-determination policy when he begins a tour of Algeria on 9 December. The timing of these moves seems intended to blunt the provisional Algerian government's (PGAR) drive for a UN-supervised referendum in Algeria.

The speed with which Jean Morin replaced Paul Delouvrier as French delegate general in Algeria apparently took rightist elements by surprise, but has reportedly not changed the dominant belief in Algiers that insurrectionary action will occur before the January referendum. Both Morin and Louis Joxe, the new minister for

Algerian affairs who made a 24-hour visit to Algiers on 28 November, have sought to reassure the European settlers by stressing their opportunity to vote for Algerian integration with France in the final Algerian referendum on self-determination. In France, Jacques Soustelle has admitted privately that he is uneasy about De Gaulle's plans and fears they would place the rightist opposition in an embarrassing position.

As the first step to prepare for the January referendum, Premier Debré will set forth De Gaulle's program to the National Assembly on 7 December. The referendum must be formally proposed during the assembly session, which ends on 16 December. Disregarding some of his advisers who fear an assassination attempt, De Gaulle will make a five-day trip to Algeria beginning about 9 December, but probably will avoid the rightist hotbeds of Algiers and Oran. He is to

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make three nationwide television appearances in support of his program prior to the January referendum.

The Algerian debate is scheduled to begin in the UN General Assembly's Political Committee on 5 December, and the assembly may vote on it before recessing on 17 December. The PGAR is urging the Afro-Asian bloc to press for a resolution calling for a UN-supervised referendum in Algeria, but the French African states may win support for a moderate resolution recognizing UN interest in the problem but calling for negotiations among the parties concerned.

Since committee resolutions require only a simple majority to pass, the crucial test will occur during full assembly discussion--possibly in mid-December--where a two-thirds majority is required. The Afro-Asian bloc has failed for the last two years to get any UN accord on Algeria at all, and promoters of Algerian independence may therefore be willing to accept

a moderate resolution rather than none.

Meanwhile, the PGAR seems determined to reject any negotiations, at least until after the UN debate. It is angered over De Gaulle's recent rapid moves, fearing that these may presage a French attempt to reach an Algerian solution ignoring the rebel government. The rebels were quick to denounce the proposed French referendum as a "unilateral action," and can be expected to continue their efforts to strengthen their international position.

Prime Minister Balewa of Nigeria, apparently in response to an appeal from Tunisian President Bourguiba, decided to make a personal effort to further an Algerian settlement during his just-completed trip to London, Rome, and Tunis. He was reported to be aware of the great difficulties of this task, but to feel that prolongation of the war brings such a threat of a Communist takeover in North Africa that he must do whatever he can.

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SITUATION IN LAOS

General Phoumi on 28 November launched what he described as "a general offensive" in the area south of Pak Ca Dinh, some 100 miles southeast of Vientiane. He claimed the initial objective of the operation was to eliminate outposts held by Vientiane troops--mainly Captain Kong Le's paratroopers--south of the Ca Dinh River. If the opening presented itself, however, Phoumi planned

to cross the river in an effort to take the paratroopers' main position at Pak Ca Dinh.

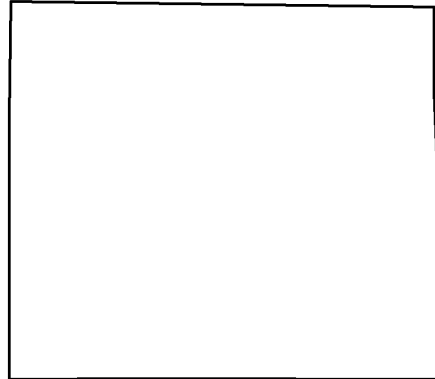
Fighting thus far appears to be centered on a paratroop outpost on the Mekong River, a few miles southeast of Pak Ca Dinh. Early reports of the fighting are conflicting, but in any event the post still appears to be in Vientiane hands.

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A seven-man National Assembly delegation, led by former Premier Tiao Somsanith, has just completed a mission to Savannakhet, where it apparently agreed with Phoumi to convoke a special assembly session in Luang Prabang aimed at working out a political settlement. Both Vientiane and Savannakhet seem willing to hold such a session, but for disparate reasons, and it is doubtful that it would produce

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Casualties thus far have been light, suggesting no departure from the characteristic Laotian distaste for determined fighting.

Other Vientiane forces continue their movement up the road from Vientiane toward Luang Prabang, which Premier Souvanna Phouma has threatened to take by force if a negotiated settlement cannot be reached with Phoumi's Savannakhet group. The pro-Phoumi garrison has had ample time to organize its defenses at the royal capital. Furthermore, the commander of one of the Vientiane columns slated to participate in the attack apparently has defected to Phoumi

a settlement.

Souvanna hopes to use such a meeting to create a government of national union, including representatives of the Pathet Lao political front, the Neo Lao Hak Sat (NLHS). Phoumi, on the other hand, probably hopes to engineer Souvanna's ouster by means of a no-confidence vote. Opinion among the deputies is believed to be deeply divided, and the prospective session may end in yet another stalemate.

A government good-will mission, to be led by Souvanna himself, is scheduled to leave for Peiping and Hanoi on 10 December. The dispatch of a good-will mission was one of

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the main points in the mid-November accords between Souvanna and the Pathet Lao. Souvanna plans to take his minister of finance along, indicating that various forms of assistance may be a major topic of discussion.

Moscow's Role in Laos

Soviet Ambassador Abramov's offer to the Souvanna government on 23 November to supply Vientiane with food supplies and gasoline airlifted from Hanoi was a timely maneuver on the part of the USSR to identify Moscow with the neutralist ambitions of the Souvanna Phouma regime at a time when the Laotian premier was in urgent need of bloc assistance. Abramov's unscheduled flying visit to Vientiane emphasizes the speed with which Moscow moved in order to pose as the champion of legitimacy in Laos.

According to Souvanna, the USSR will supply Laos with 250,000 gallons of fuel to be flown to Vientiane via Hanoi. Souvanna had earlier threatened to turn to the Soviet Union for such assistance if the unofficial Thai blockade of petroleum supplies was not halted. In addition, milk, flour, sugar, and other foodstuffs will be supplied as a "good-will gift." Details of the offer, however, were not spelled out. Souvanna later remarked to the American ambassador in Vientiane that future supplies may be trucked in from North Vietnam after a

month or two when the roads are repaired, suggesting that any airlift of fuel to Vientiane by the USSR would be on an emergency basis only.

On 21 November the Laotian ambassador in Phnom Penh reported that Vientiane had granted visas to four Soviet Embassy personnel who apparently intend to remain in the Laotian capital for at least a month. Abramov, who returned to Phnom Penh on 23 November, told the American ambassador on 29 November that he intended to return to Vientiane "within a few days." First Secretary A. Ratanov accompanied Abramov to Vientiane and reportedly will remain there about six weeks as chargé. The establishment of a Soviet presence in Laos climaxes a four-year effort on Moscow's part to exchange diplomatic missions.

Soviet long-range objectives in Laos are aimed at encouraging neutralist sentiment within the country in the hope that Communist political subversion will ultimately force Laos to adopt a more neutral position. Toward this end, the USSR has supported the inclusion of the Communist political front, the Neo Lao Hak Sat (NLHS), within a coalition Laotian government.

The Soviet Union has maintained that the 1954 Geneva truce agreements established the basis for a peaceful settlement in Laos. The USSR and

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Britain as co-chairmen of the conference set up in 1954 an International Control Commission (ICC) ostensibly to ensure that the international agreements were observed. In practice, however, the ICC served as an effective device to improve the position of the Pathet Lao and its political front, the NLHS.

goals--the integration of the Pathet Lao within the national community. Britain, as co-chairman, responded that its hands were tied regarding the ICC because of the Laotian Government's opposition to the presence of the commission. Any formal request now for the return of the ICC by the Souvanna Government would make it difficult for Britain to maintain its objections.

Soviet propaganda hails the agreement reached between Souvanna and the Pathet Lao as a revival of the spirit of the Vientiane agreements of 1957 which led to the establishment of a short-lived coalition government. Moscow radio continues to pinpoint its attack on American support for the Phoumi rebel faction and highlights Souvanna's protest on 21 November against alleged US interference in Laotian affairs.

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The Soviet Government itself has made several appeals for the return of the ICC and in April 1960 formally urged the pro-Western Laotian Government to "renew its collaboration" with the ICC, which had not fulfilled one of its primary

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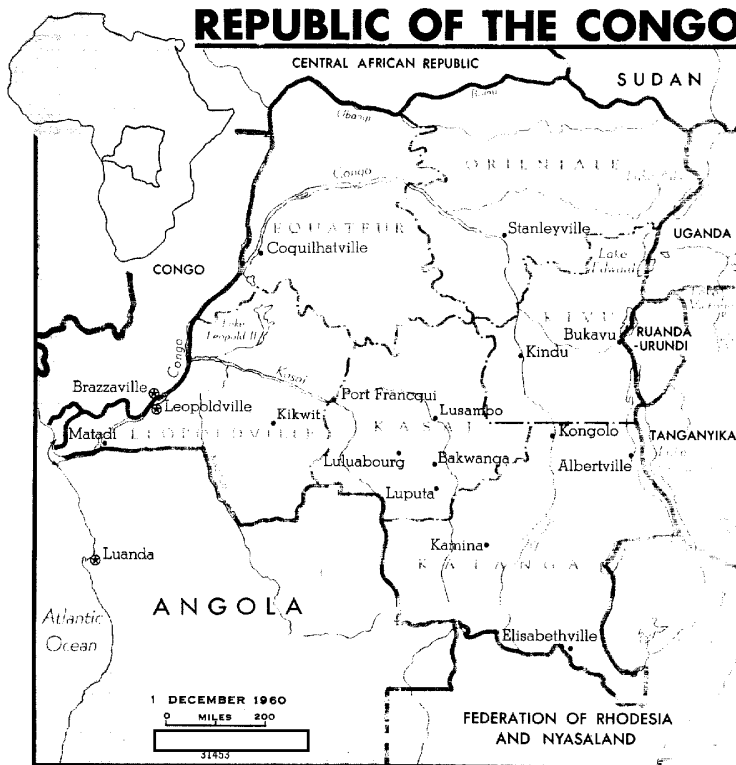
Lumumba's escape on 27 November from house arrest in Leopoldville and flight to Stanleyville, his old political stronghold in Orientale Province, foreshadows stepped-up activity by him and his followers to gain control of the interior. The Mobutu interim government is

considering taking strong measures, including military operations against Stanleyville. An attempt by Mobutu to move troops to Orientale Province would pose the threat of civil war and probably would be opposed by the UN Command.

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President Kasavubu, who returned from New York to a popular reception in Leopoldville on 27 November, may be preparing a plan to restore civil government. Kasavubu's 1 December order expelling the UAR ambassador is the latest move by anti-Lumumba forces to curb the activities of his African allies.

A projected roundtable conference, scheduled for early December, could provide the means for agreement on such a move. Army chief Mobutu has indicated that he regards his "mandate" as extending only until the end of 1960, and he may

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Recent information suggests that Lumumba's supporters in Stanleyville are presently seeking aid--possibly including arms--from one or more Communist bloc nations.

prove receptive to negotiations leading to the installation of a new, moderate government.

Soviet Moves

Moscow radio reported without comment Lumumba's departure for Stanleyville, and continues routinely to denounce American "colonialism" and the Western "puppets," Mobutu, Tshombé, and Kasavubu. In the UN Budgetary Committee meeting on 29 November, the USSR reaffirmed its refusal to pay any part of the estimated \$66,000,000 which the UN Congo operation will cost this year, and demanded that Hammarskjöld submit proposals for withdrawing UN military forces.

Lumumba's supporters are moving to consolidate their control of Stanleyville Province, and Lumumba's anticipated arrival has prompted an upsurge in antiwhite sentiment there. The UN representative in Stanleyville reported that "all whites" in the city had been rounded up on 28 November, and many subjected to beatings.

Soviet delegate Roschin sought to separate the Congo expenses from the required budgetary

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assessments, asserting that they should be borne by the countries which caused the chaotic situation--Belgium and the Western powers. Roschin accused the

secretary general of jeopardizing the financial structure of the UN by "illegally" using funds from the regular administrative budget to maintain troops in the Congo. 25X1

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PART II

NOTES AND COMMENTS

MOSCOW MEETINGS

As the Moscow conference of world Communist leaders entered its fourth and apparently final week, Soviet and Chinese leaders continued to express their differences publicly, and disagreements at the private meetings are apparent in the strained atmosphere in Moscow. The length of the talks, however, suggests that the USSR, while unwilling to accept any of the Chinese positions, is also unwilling to abandon its efforts to work out a declaration which will maintain at least a facade of unity.

The announcements on 1 December by Moscow and Peiping that Soviet and Chinese leaders held warm and friendly talks at the Kremlin on 30 November were apparently a step in this direction as well as an effort to dispel the air of hostility which has characterized the meetings.

Khrushchev's message to the Chinese leaders thanking them for their October Revolution greetings, while stressing the need for bloc unity, was significantly cooler than those of previous years. Both People's Daily and Pravda in the last few days have continued their editorial disagreements, with Peiping emphasizing the need for continuous "struggle against imperialism-colonialism" and Moscow warning of the danger of "dogmatism and sectarianism."

The People's Daily editorial for 28 November opened with Mao's dictum that "nothing reactionary will topple unless you strike it down," and Pravda on the same day hailed Engels' "passionate and uncompromising struggle for the purity of the Marxist teaching against dogmatism, sectarianism, and national narrow-mindedness in the revolutionary movement...."

A number of press articles commemorating the 140th anniversary of the birth of Engels concentrated on the major theme of the need for bloc unity and ideological purity. The articles employed a number of formulas which have clear anti-Chinese implications. In addition to its major editorial, Pravda in a long article referred to Engels' opposition to reformism and "petit bourgeois ultra-revolutionism, dogmatism, and sectarianism," and quoted directly his criticism of those who "do not know how to put living theory into action." Izvestia on 26 November referred to Engels' criticism of "left opportunists" who "poured mud on the whole international workers' movement and its leaders, accusing everyone and everything of opportunism."

These articles apparently reflect the sharp disagreements which characterized the private meetings.

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bitter exchanges between the Soviet and Chinese delegates.

25X1 [redacted] a committee of 26 countries had prepared a resolution for adoption at the meeting three weeks before it started. Since the resolution was based on Soviet positions, or

25X1 [redacted] because the Chinese felt that the Soviets were putting a new interpretation on this document, the Chinese refused to accept it.

The Chinese asserted that their position was right and that they were determined to follow it. They insisted: "Let history be the judge." After claiming that there can be no equality if the international Communist movement is directed by one party, the Chinese submitted a report which reiterated views they had expressed at Bucharest in June 1960 and which held that the Soviet Union was destroying international solidarity and reinforcing revisionism.

25X1 [redacted] Liu Shao-chi gave a four-hour speech at the conference on 22 November in which he attacked Khrushchev personally, as had the Chinese delegate at the Bucharest conference.

25X1 [redacted] another committee was formed on 22 November which includes the Soviet and Chinese parties and some of the nonbloc Communist parties. This committee may have been formed to draw up a new declaration based on whatever agreements have been reached to date.

25X1 [redacted] The Swiss Communist party

has postponed a politburo meeting which was scheduled for 25 November until 4 December, suggesting that the meetings will end by the 3rd.

The Chinese apparently have not been alone in their defiance of the Soviet party.

25X1 [redacted] the parties of four South American countries are supporting the Chinese thesis in the debate in Moscow.

25X1 [redacted] North Korea and North Vietnam "are in the Chinese camp." Propaganda comment from these two countries, however, reflects a careful effort to maintain neutrality in the dispute.

Such a position would be consistent with Ho Chi Minh's reported efforts to mediate between Khrushchev and Mao. Recent North Korean speeches and editorials reflect considerable sympathy for Chinese hard-line oppositon to the United States, but keep a foot in the Soviet camp by accepting Soviet views on the possibility of preventing war.

The Chinese delegation's staunchest ally at the Moscow meeting has been the Albanian delegation. Reflecting this strong support from the Albanians, the Chinese leaders, led by Mao Tse-tung, sent effusive greetings to Tirana on the occasion of the Albanian regime's 16th anniversary. After praising the Albanian party for its dedication to Marxist-Leninist purity, the message says the Chinese are proud to have such "unyielding comrades-in-arms" and deeply appreciate the "enormous" support rendered to them by the Albanian people.

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In the same mood, Chou En-Lai told an Albanian anniversary reception in Peiping on 29 November that it is "particularly worth pointing out" that the Albanian people ruthlessly exploded the shameless plot of US imperialism and its followers to slander and isolate China. He noted that in the past year "friendship and relations of mutual help and cooperation" have been consolidated between Albania and China, "sharing each other's weal and woe."

This emphasis on the close alliance of China and Albania was heightened by the rare appearance of Mao at the Peiping celebration. Mao's presence at the Albanian reception was given priority in all Peiping newspapers on 30 November and, in another gesture of friend-

ship, a commune in the Chinese capital was renamed the "Peace Sino-Albanian Friendship People's Commune." For their part, the Albanians promised to remain China's "faithful friend."

The Chou En-lai speech, Chinese articles and messages of greeting, and Albanian comment on the anniversary all stressed Tirana's struggle against Yugoslav "revisionism." In sharp contrast, the USSR, in an Izvestia article greeting Yugoslavia on its 28 November national day, was unusually flattering to Belgrade. It pointed out that the two countries follow identical policies on some international questions, and added that the USSR in the future will strive to develop further "good relations" with Yugoslavia.

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WEST - EAST GERMAN INTERZONAL TRADE DEVELOPMENTS

Bonn has publicly indicated it wants to explore the possibilities for a new agreement on interzonal trade. Adenauer's press chief Von Eckardt stated on 30 November that the talks would be conditional on the cessation of East German harassments on West German travel to and within Berlin. In a press interview on 12 November, Chancellor Adenauer had stated that Bonn would be "flexible" on new negotiations, and suggested that if they were conducted intelligently, some advantage for Berlin access might be achieved.

Bonn's position on the interzonal trade question has gen-

erally been confused and indecisive, with reports of a sharp disagreement between the Economics Ministry and the Foreign Ministry. Officials of the Economics Ministry reportedly favor the quick conclusion of a new agreement, even if the East Germans refuse to rescind the curbs on West German travel to and within Berlin, as originally demanded by Bonn. Foreign Ministry officials, however, argue that the lack of an agreement will give Bonn a free hand to retaliate against possible further East German harassments.

Some officials in Bonn fear that failure to reach some understanding with the East

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Germans before the present interzonal trade agreement expires on 31 December will lead to serious East German interference with West German civilian access to the city. The East Germans claim that since technical arrangements for West German access to the city are spelled out in the 1951 trade agreement, these provisions will be nullified when the agreement formally expires.

On 17 November Carl Krautwig, a ministerial director in the West German Economics Ministry, met with East German officials in an apparent attempt to sound out the East Germans on a resumption of negotiations. Krautwig's "informal talks" may indicate that Bonn is moving in the direction of higher level negotiations with the East Germans. Previously, all negotiations have been handled by Kurt Leopold, of the semiofficial "Trustee Office" in West Berlin -- a device long used to avoid recognition of the East German regime.

Leopold opposes raising the level of talks and submitted his resignation in protest against Krautwig's interference, but later changed his mind. It now has been announced that he will handle the new negotiations.

Any change involving higher level negotiators would be a significant shift in Bonn's policy, which in the past has stated it would regard ministerial-level talks with the East Germans as constituting de facto recognition of the Ulbricht regime. Although the East Germans have reportedly stated they would not seek to publicize the fact of ministerial-level negotiations, there is little chance that negotiations of

this sort could long remain secret.

East German officials, with Soviet backing, are attempting to build up a strong bargaining position for the Ulbricht regime in anticipation of negotiations for a renewal of the interzonal trade agreement. Following the line previously set by Ulbricht and Foreign Trade Minister Rau and seeking to take advantage of differences among West German officials concerning conduct of any negotiations, East German statements are emphasizing that negotiations with the West Germans must be on the ministerial level and declaring that the West German representatives may not speak for West Berlin. The regime meanwhile is intensifying its propaganda campaign, alleging that Bonn is intent on sabotaging German unity by threatening to break off trade and planning new measures to impede "normal" travel between East and West Germany.

Khrushchev's promise to supply East Germany with any necessary raw materials and goods in 1961 in the event negotiations with the West Germans fail greatly strengthens the East German position. Soviet support is also designed to encourage the East Germans to maintain their demand that negotiations must be on the ministerial level. The communiqué issued on 30 November after Soviet - East German talks in Moscow does not, however, indicate whether the East Germans have had any success in obtaining promises of financial aid from the USSR, which would be needed to replace certain West German imports not available in the bloc.

In an apparent effort to prod the Western powers to induce Bonn to hasten negotiations, Neues Deutschland on 27 November implied that the continued operation

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of Western military trains between West Germany and Berlin is dependent on the interzonal trade agreement, since an annex of the agreement provides for payment by the West Germans for the services of East German engineers and the use of East German locomotives and railroad facilities by Allied military trains. This reference which appears to be intentionally vague and misleading, probably is also designed to remind the Western powers of their vulnerability to East German pressures on military access and to suggest that they might be forced to negotiate with East Germany for continuation of military rail traffic.

The regime is continuing its campaign to undercut or

evade Western restrictions on the grant of travel documentation to East Germans by the Allied Travel Office in West Berlin. Ulbricht reportedly has issued orders that East German personnel, including trade officials and correspondents stationed in Western Europe, will not be permitted to return to East Germany for vacations--even for Christmas--until further notice. While this measure reportedly is designed to circumvent any refusal by NATO countries to grant re-entry visas to such individuals, it also applies to East German officials in Sweden. East German personnel reportedly have raised a strong protest. [redacted]

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UNREST IN VENEZUELA

The recurrent rioting which began in Caracas on 25 November was promoted by pro-Castro opposition elements and is probably part of a continuing campaign of violence to unseat President Betancourt. The government, which suspended constitutional guarantees on 28 November and called in the army to assist other security forces, appears to have the unrest under control. It closed the Communist daily press and the press of a Marxist faction involved in the disturbances and has arrested a large number of agitators.

Betancourt, who has expressed his determination to take strong action against further agitation, is believed to have the backing of moderate political elements, most of the armed forces, and much of organized labor.

The recent riots were touched off by an illegal strike of telephone workers in the

capital and were effectively spread there by leftist student and other groups. The unrest follows the withdrawal of the pro-Castro Democratic Republican Union (URD) from the three-party coalition on 17 November and the serious 19-28 October anti-government outbreaks, which the URD seemed to condone. Betancourt reorganized his cabinet on 21 November, replacing the former URD members with independents. Other incumbents were reappointed with the exception of the minister of finance, who is expected to become ambassador to the United States.

A substantial portion of the URD, which dominates the union responsible for the illegal strike, now may have allied openly with the pro-Castro Communist-leftist opposition, thus augmenting its potential for provoking unrest. Betancourt's principal vulnerability to

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opposition attacks derives from his economic problems, including high unemployment, depressed business conditions, a sizable budget deficit, a lowering of business confidence, and a critical decline of foreign exchange holdings which led to the imposition of exchange controls in early November. The rioting has probably exacerbated some of these economic difficulties and the new finance minister, pointing to the threat of pro-Castro groups, has stated that substantial US aid will be

essential to Betancourt's survival.

The arrest and expulsion of two Cuban student agitators in Caracas just prior to the riots suggests that they may have been involved in organizing them. The controlled Cuban press, increasingly critical of Betancourt in recent weeks, renewed its strident attacks on him after the arrests, indicating that the long-widening rift in Cuban-Venezuelan relations may be approaching an open break.

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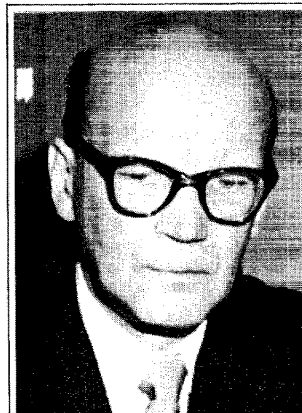
SOVIET-FINNISH RELATIONS

The communique issued on 24 November at the conclusion of President Kekkonen's four-day visit to Moscow reaffirmed Soviet approval of Finnish affiliation with the European Free Trade Association (EFTA) on condition that this would not prejudice the further development of Soviet-Finnish trade, which has long been based on the most-favored-nation principle. The 1961 trade protocol concluded at the same time provides for an increase of 7 to 9 percent in Soviet-Finnish trade.

When Khrushchev was in Finland in September, Kekkonen raised the issue of Finnish association with EFTA and Khrushchev indicated that final agreement could be reached during Kekkonen's November visit. Subsequently, Moscow insisted that not only Finland but all EFTA members grant the USSR most-favored-nation treatment. It apparently did not press this demand in the Moscow talks, however. The Finnish counselor told an American Embassy official in Moscow that Finland will ask for a general waiver from its Western trade partners so

that it can give the USSR the same trade concessions it will grant to EFTA members.

The Finns have requested a ministerial meeting of the Nordic countries in order to gain their



KEKKONEN

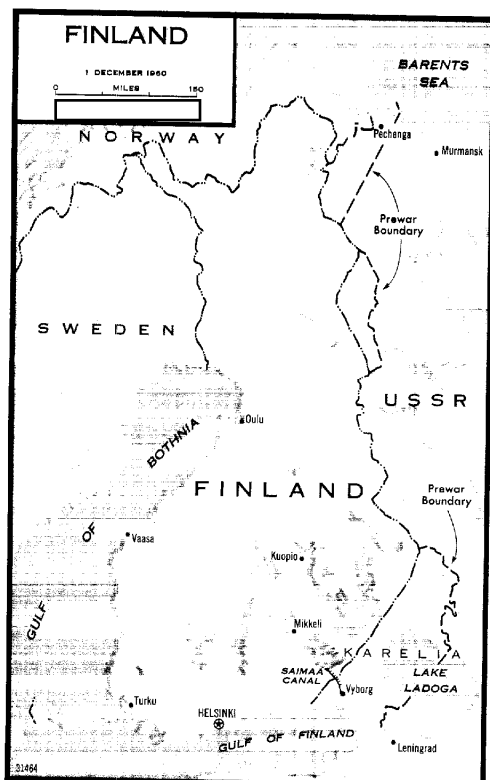
support; and, despite strong reservations, the Scandinavians, particularly the Swedes, will support Finland vis-a-vis the other EFTA members in order to ensure Finland's economic--and political--ties with the West.

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Soviet concessions to Kekkonen on the EFTA question were probably intended to demonstrate the benefits for Scandinavian countries of Khrushchev's peaceful coexistence policy, while at the same time underlining Soviet approval of the Finnish leader's neutral course. Moscow may also feel that if EFTA approves Soviet terms for Finnish association, this may lead to similar treatment from all EFTA members.

Khrushchev's emphasis on the validity of peaceful coexistence may have also been designed to indicate that, despite the dispute with Communist China, the Kremlin has no intention of abandoning its over-all policy toward the free world. In his speech on 21 November Khrushchev made a strong appeal to the other Scandinavian coun-

tries to follow Finland's neutral course and asserted that there were no "insurmountable problems" existing between the USSR and any of these nations.

The final communiqué, which was drafted by the Finns, did not go beyond the usual endorsement of peaceful coexistence, complete and general disarmament, a nuclear test ban, and the need for keeping Northern Europe "outside international tensions and differences."

The Soviets, however, had presented four amendments, which the Finns refused to accept. First, Moscow requested a clause calling for keeping Northern Europe free from atomic weapons, in line with the campaign to increase the appeal of the Soviet "Baltic Sea of Peace" plan. The Finns also turned down a Soviet proposal for endorsement of a special UN General Assembly session on disarmament next spring attended by heads of government. In addition, they rejected Soviet suggestions that the communiqué include references to the need for a UN reorganization and references to the immediate liquidation of the "vestiges of colonialism."

As a gesture of support for Kekkonen's policy, Moscow agreed to reopen negotiations on the long-standing question of Finnish use of the Saimaa Canal. The Soviet Union indicated that it is prepared to grant a 50-year lease on the Soviet portion of the canal, including a strip of land on each side, a concession it refused in 1958 when the issue was last raised. It also offered to lease transshipment and storage facilities at the port of Vysotsk near Vyborg.

The Saimaa Canal, which connects the lake district of eastern Finland with the Gulf

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of Finland, is no longer economically significant, since alternate transportation routes have been developed, and its rehabilitation would be costly. Doubts have already been expressed in Finland concerning the proposal, but the canal and the possibility of regaining some of the adjoining "lost" Karelian lands have a strong emotional appeal to many Finns, and any positive gains would enhance President Kekkonen's prestige.

Kekkonen has called publicly for the formation of a broadly based majority coalition government to replace the Sukselainen minority Agrarian cabinet in an attempt to rally all parties to support his foreign policy line. Kekkonen would thereby strengthen his contention that he is the only leader capable of maintaining good relations with the USSR and obtaining concessions regarded as vital by Finland.

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SOVIET TRADE WITH JAPAN

The present trend of Soviet-Japanese trade suggests that Japan eventually may rank with Britain, West Germany, and France as a major supplier of advanced machinery and equipment to the USSR. Trade talks which began in Moscow on 12 November are aimed primarily at drawing up plans for trade in 1961, but an attempt will be made to resolve a number of difficulties which continue to hinder the expansion of trade. The issue of extending credits to the USSR for financing purchases of Japanese capital equipment apparently has been settled, and Tokyo is approving such credits on a "case-by-case" basis.

If the increases projected in the three-year trade agreement signed earlier this year are to be achieved, Soviet orders of complete plants must be stepped up, the continuing trade imbalance in favor of the USSR must be corrected, and Japan must be willing to accept greater quantities of Soviet raw materials such as petroleum, coal, and iron ore.

Although actual trade during 1960 apparently will exceed the target of \$125,000,000--more than double the figure achieved in 1959--an excess of imports from the USSR continues to frustrate Japanese officials, who had hoped to remedy the imbalance during the first year of the three-year agreement. Negotiations during the past six months, however, have finally produced a number of firm Soviet contracts which, along with a slowdown of imports from the USSR, are gradually closing the trade gap. If agreement can be reached on several important contracts still pending, such as a \$30,000,000 synthetic fiber plant and a \$60,000,000 oil pipeline deal, new vigor may be injected into Soviet-Japanese trade.

Among the most significant of recent Soviet purchases in Japan are orders for Japanese merchant ships worth more than \$45,000,000. Moscow, now engaged in a program to bolster its tanker fleet through acquisitions of large, modern

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free-world tankers, has had a ship-purchasing mission in Japan for nearly four months. The mission has bought two tankers of about 40,000 dead-weight tons each, and has signed or is about to sign contracts for four 35,000-ton tankers. In addition, three 12,000-ton freighters are under construction in Japanese shipyards on Soviet contracts. These ship purchases already exceed what was envisaged in the three-year trade pact.

Some of the major transactions are being carried out under a deferred-payments arrangement. Moscow indicated earlier that large-scale orders for Japanese capital equipment would be contingent on the extension of credit facilities. Soviet

negotiators pointed to their success in obtaining similar credits in Western Europe and apparently have succeeded in making deferred payments a permanent feature of Soviet-Japanese trade--although on terms considerably below those they originally requested.

A recent \$3,800,000 transaction for 12 refrigerating plants provided for a 10-percent down payment, 10 percent on delivery, and the remainder to be paid over five years at 4-percent interest. The US Embassy in Tokyo believes this contract probably will set a standard for future sales of Japanese goods to the USSR on credit. [redacted] (Prepared by ORR)

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USSR CONDUCTS PUBLIC OPINION POLL ON LIVING STANDARDS

The USSR's first public opinion poll was recently conducted by the Soviet youth newspaper, *Komsomolskaya Pravda*. Those polled represented in large measure the higher income groups, and were asked if their standard of living had been raised. The standard has generally improved, and as a result the answers of the majority were favorable to the regime. The answers reportedly attributed the improvement primarily to more housing, more consumer goods, and higher wages. Such a poll is useful to the regime for its propaganda possibilities and to demonstrate the government's interest in the popular welfare.

Interviews were conducted in single cars of each of 65 trains leaving Moscow during one day. Thus most sections of the country were allegedly represented and a reasonable age spread was achieved.

Of the 1,399 persons polled, 73 percent considered that their standard of living had gone up, 20 percent found no appreciable change, and 7 percent thought their living conditions had deteriorated. Those polled considered the most urgent domestic problems to be in two areas where improvement has already been felt--housing and consumer goods--and also in the

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need for more institutions for children.

The interest expressed in children's institutions is attributed by the pollsters both to a high birth rate in recent years and to the fact that the demand for food and other essentials has been considerably alleviated. In addition, establishment of such institutions would permit more women to work, a development desired by the regime to augment the labor force and by many families to augment income in order to maintain present consumption standards.

Of those polled, 476 were workers, 184 engineers, 32 collective farmers, 467 office employees and professionals, 105 servicemen, 45 students, 43 pensioners, and 47 unemployed, mostly housewives. The newspaper attributes most drops in living standards to "the natural order of things"--additions to the family, retirements--but does admit to numerous cases of lower wages brought about by the current wage reform. The pollsters pass quickly over this group with the explanation that, especially in regard to highly paid workers, "planned" reductions of income are "completely in keeping with the policy of the party and government."

To counter complaints of scarcities, the report points out that public demand has changed qualitatively as well as quantitatively as goods have become available. Reported sample reactions to questions concerning living standards are relatively mild in tone and were probably carefully chosen so as not to reflect the kind of bitterness expressed in a letter to the same paper in June which

read in part: "Rockets, rockets, rockets! Who needs them now! For the time being, to hell with them and the moon; give me better things for my table."

The main source of discontent, however, apparently continues to be housing, although housing construction has had priority status since 1957, and the regime aims to eliminate the housing shortage completely by 1970. Because of the large overfulfillment of housing goals from 1957 to 1959 and the prospects for overfulfilling state housing construction in 1961-1965, Seven-Year Plan goals for housing will undoubtedly be met, and the expectation is that in general the Soviet citizen will be much better housed in 1965 than he is now.

The poll suggests that morale has improved and hopes for the future are high. More goods of better quality are constantly appearing in the shops, and installment credit plans, initiated to move overstocked items, allow the consumer a new selectivity. More important, since Stalin's time the regime has continued to show interest in bettering the lives of the Soviet people materially, though it seeks to do so at little cost to its own established goals.

Both the abolition of the state loan--a system of enforced saving--and the reduction in working hours are frequently cited in the poll as contributions toward a better life. The provision of leisure along with the current level of material benefits to the people apparently is satisfying to some, but more prevalent is the feeling that "the better you live, the better you want to live."

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HUNGARIAN REGIME FACES DIFFICULTIES IN THE COUNTRYSIDE

The Hungarian regime has decided to complete agricultural collectivization this winter, despite the fact that it may aggravate the situation in the countryside. The regime has pressed collectivization actively during the past two winters and has probably decided to complete this process, which is an integral part of its campaign to bring all productive forces under the control of the party. The previous campaigns have not generated significant popular unrest and have had a negative effect on production in the private sector--factors which may have prompted the regime to go ahead rapidly.

Organizational weaknesses of the regime, passive peasant resistance, and supply problems will be worsened by Kadar's decision on collectivization. Hungarian Government spokesmen and the regime press have been particularly vocal about an impending shortfall in agricultural production. On 19 November, the party daily Nepszabadsag admitted that 25 percent of the fall sowing of grain had not been completed and that 27 percent of the corn area and 16 percent of the sugar beet area had not been harvested.

A week earlier, Minister of Agriculture Losonczi expressed concern over delays in fall field work and implied that farm managers and local government units were failing to utilize agricultural machinery made available to them in the past two years. Similar delays in fall field work in 1959 are believed to be the chief reason for the reported 8- to 10-percent decline of grain production this year, and to have led to a decrease in the total area sown to grain. The regime achieved

the nominal collectivization of 77 percent of the arable land by major drives in 1958 and 1959. This land is producing less than when it was privately farmed.

Since coming to power following the 1956 revolt, the Kadar regime has failed to recruit rural party leaders, and the successive collectivization drives have merely served to aggravate this problem. Party organizations on the collectives, where they exist, are composed mainly of farm managers, administrative personnel, and professional agronomists "on loan" to the co-operatives. These elements have neither stimulated peasant interest nor stemmed the flight of peasant youths to the cities.

A further factor contributing to Kadar's political weakness in the countryside is that the majority of the party rank and file in rural areas, being holdovers from the pre-revolt, hard-line Rakosi-led party, dislike him. These careerists have resisted regime efforts to weaken their hold on the rural party apparatus. The recent agricultural failures, in part a result of failures by these incumbents, may strengthen Kadar's hand in carrying out a reorganization of the rural apparatus and staffing it with younger men from the urban party organizations and the graduates of special party schools.

Kadar sought during the summer months to circumvent these opposition elements by dispatching, on a short-time basis, functionaries from party headquarters and the Budapest municipal party organization to give political lectures and to work alongside the peasants in

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the fields. Plans are set to send 8,000 "lecturers" to the countryside in the next three months to conduct the agitation work necessary to complete collectivization.

The regime has sought to mollify the peasants, aroused by the collectivization drives of 1958 and 1959, by offering a series of inducements, largely monetary, to stimulate livestock breeding, grape growing, farm construction, and the purchase of machinery, stock, seeds, and fertilizers. The results have been poor, and the peasants have responded by demanding a series of concessions from the regime.

The unsuccessful efforts to overcome peasant passive resistance and to establish more than nominal control over the cooperatives have been very expensive. Largely as a result of the need to underwrite the collectivization campaign, the regime has been forced to direct more investments to the agricultural sector than originally scheduled under the Three-Year Plan (1958-60). Anticipated harvest shortcomings and meat shortages, largely a result of the illegal slaughtering of livestock, will be a further drain and cause a decrease in exports, disrupting economic plans to some extent. [redacted] (Prepared jointly with ORR)

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EUROPEAN INTEGRATION DEVELOPMENTS

The political organization of the six-nation European Economic Community and its relationship to NATO will be the basic questions at issue in the 5 December meeting in Paris of the heads of government of the Common Market countries. De Gaulle, who inspired the meeting and who will meet privately with Adenauer on 4 December, is expected on both occasions to press his plan for a European "confederation." The other Common Market leaders seem disposed to make some concessions to the French President's point of view, but not to the extent of weakening the Common Market or of endorsing his views on NATO.

Since last July, De Gaulle has met with all of these leaders individually, and he has evidently been both conciliatory and persuasive in defending his plan. In particular, he has apparently dropped the idea of a European "referendum" to bring the confederation into effect--a device

which is constitutionally impossible in several of the countries.

The basic feature of the plan nevertheless remains intact: periodic meetings of heads of government and ministerial-level committees to coordinate the foreign, defense, and cultural policies of the member states. As recently as 23 November, the plan had not yet been communicated in writing to other countries, and basic details--whether decisions taken would be binding on governments and whether any or all of the members would retain a permanent veto--have never been clear.

It is apparently the strategy of the other five countries to probe De Gaulle on these points and to avoid the creation of any new organizations. At the recent meeting in Strasbourg of the European Parliamentary Assembly, Netherlands Foreign Minister Luns declared it

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"axiomatic" that maximum use should be made of existing community institutions which are capable of taking on "new responsibilities." Luns apparently was referring to the Common Market's Council of Ministers which, representing the member states and meeting periodically, theoretically at least could perform the coordinative functions De Gaulle has in mind.

Such an approach would at least have the advantage of keeping integration firmly in the framework of the Common Market, but it does little to assuage the persisting concern that De Gaulle's real objectives are not so much the promotion of European unity as the development of Continental support

for French interests in Africa and NATO.

This concern was also much in evidence at the Strasbourg meeting, and, in an effort to calm it, the French foreign minister contended that the failure of the summit conference last spring and the possibility of a "severe European crisis in 1961" had demonstrated the importance of Europe's being organized politically to "defend its interests." Nevertheless, speakers from the other countries repeatedly warned that any strengthening of political cooperation among the six must contribute to, and not detract from, total Western unity.

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ITALIAN MOVES ON SOUTH TIROL ISSUE

In mid-November the Italian Government began talks with Austrian officials in a gesture toward complying with the UN General Assembly's October resolution on the rights of the German-speaking minority in northern Italy.

The Italian Foreign Ministry is seeking to have Foreign Minister Segni meet privately with Austrian Foreign Minister Kreisky, possibly in December, with the first working-level contacts probably taking place early in 1961.

According to the American Embassy, the Italian Government is considering an increase in the "de facto autonomy" of Bolzano Province--a move it could make within the limits of the existing statute providing for

BACKGROUND

An Austrian-Italian agreement in 1946 accorded a degree of local autonomy to the predominantly German-speaking population on the upper reaches of the Adige River, an area which until World War I had been part of the Austrian South Tirol. The inhabitants charge Rome with bad faith in implementing this agreement, and ask full local autonomy for Bolzano Province. Austria raised the matter in the UN General Assembly, which in October recommended further bilateral negotiations.

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certain semi-autonomous regions and without consulting parliament. The government has not indicated what concessions it has in mind, but purely administrative action would permit such limited concessions as expanding civil service opportunities for German-speaking citizens and giving them more say in the allocation of new government-financed housing.

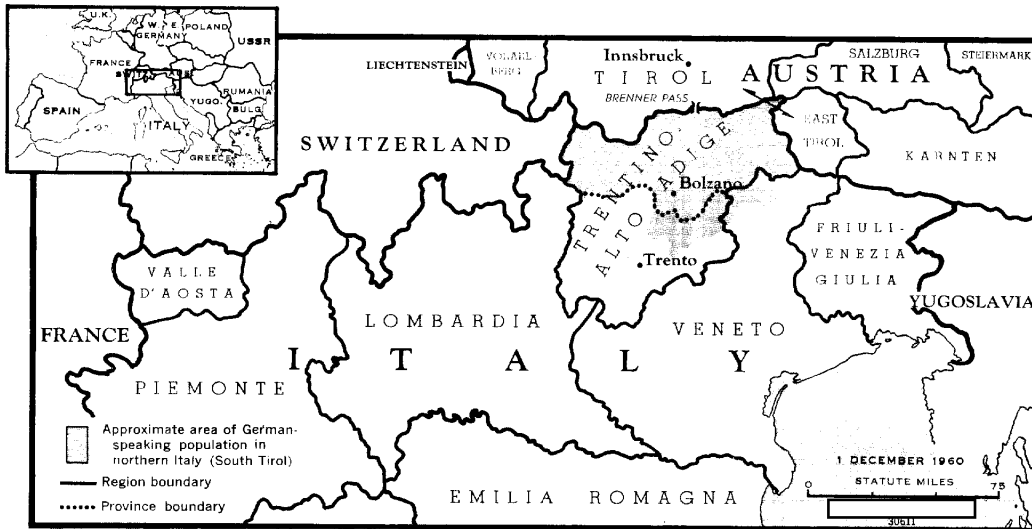
Concessions requiring legislative action, however, would have difficulty getting the required two-thirds majority in parliament, and even if parliamentary debate is avoided, the government will be under strong

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pressure from rightist elements.

The neo-Fascists have already attacked the government for approving the UN's "dangerous compromise solution" and they can probably count on further die-hard nationalist support among the Liberals, Monarchists, and right-wing Christian Democrats.

The Communists have kept themselves free to exploit the issue by avoiding any statement offensive to Italian irredentists. Further pressure may be exerted on the ruling Christian Democrats by their need for Monarchist partners to form municipal governments in some important cities where the national government forces do not have a majority and their need to retain the support of the Liberals, their partners in the national government coalition.

Meanwhile, in the German-speaking area itself, the November regional elections left the

Volkspartei--protagonist of local autonomy--holding 15 of the 22 seats in the regional assembly, after having made a number of threats during the campaign. Rome has thus far been unable to decide whether to admit Volkspartei representatives to the working-level talks with the Austrians, and whether to lift a ban effective since early 1959 on the admission to Italy of Austrian State Secretary Gschnitzer.

On the Austrian side, Foreign Minister Kreisky has told the American ambassador in Vienna that Austria is ready for bilateral talks with Italy if Rome will actually make an effort to achieve specific results. Kreisky said that Vienna would try to negotiate objectively and that he and Chancellor Julius Raab were meeting with Tyrolese representatives to ascertain their minimum demands.

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UNREST INCREASING IN ETHIOPIA

Emperor Haile Selassie has shown his concern at the increasing unrest within Ethiopia's military force, the Imperial Bodyguard, and in the army by



HAILE SELASSIE

ordering significant transfers of high-ranking officers and the arrest of several young government officials. Widespread dissatisfaction with the regime is particularly serious at this time because of the Emperor's present visit to West Africa and Latin America when his firm control of the government administration will be relaxed for several weeks.

The Bodyguard officers are reported dissatisfied because cadets graduating from the leading military academy receive higher salaries than officers of equivalent rank already on duty. There is also considerable friction throughout the Bodyguard and the regular army between the older and usually poorly trained officers and the younger men with up-to-date training abroad or in Ethiopia's few military schools. Although pensioning off over-age officers would permit raising the salaries of younger men, it would prob-

ably create political difficulties for the Emperor by arousing the opposition of Ethiopia's powerful traditional leaders who have been allied with the older officers.

The Emperor is expected to take early remedial action, as well as to continue punitive measures against any individuals considered a threat to the regime. Four young government officials were arrested in mid-November

On 21 November the government announced the transfer of 15 senior officers, including several high-ranking generals, and the Emperor is expected to order additional military and civilian transfers in the immediate future.

By taking strong measures now, the Emperor has probably forestalled action against his regime during his absence. He is planning to spend about three weeks visiting Ghana, Liberia, Nigeria, Togo, and Brazil as part of his efforts to enhance Ethiopia's international standing, particularly among the African nations. He leaves in nominal charge the inexperienced crown prince and an administration reluctant to make any significant decision without the Emperor's authority.

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BRITAIN AND THE FEDERATION OF RHODESIA AND NYASALAND

The constitutional review conference for Rhodesia and Nyasaland, which opens in London on 5 December, is expected to be one of the most difficult under Britain's policy of bringing its African territories to early independence. London's efforts to mediate between the dominant white settler minority and the African nationalists which it increasingly has tended to favor are further complicated by concurrent, less formal talks on reform of the territorial constitutions of the self-governing colony of Southern Rhodesia and the protectorate of Northern Rhodesia. A break-up of the conference would probably end Britain's hope of achieving orderly progress to-

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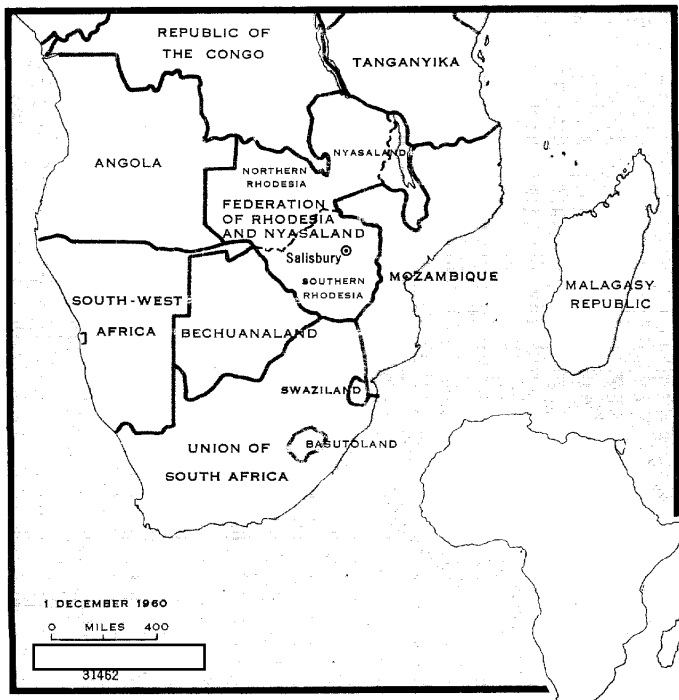
The semi-independent Federation was formed in 1953 from the self-governing colony of Southern Rhodesia and the British protectorates of Northern Rhodesia and Nyasaland, now still administered by British governors. The units retain responsibility for African affairs, internal security, and labor. The Federal Government's powers include external affairs, defense, customs, income tax, European agriculture (except in Nyasaland where the white population is negligible) and non-African education. The white settlers, who have been politically and economically dominant, constitute less than 4 percent of the population of 7,600,000. To the Federation's economy, Nyasaland contributes manpower, Northern Rhodesia copper mining, and Southern Rhodesia various secondary industries and tobacco. Nyasaland will have an elected African majority in its legislature after elections next year; similar changes are being discussed for Northern Rhodesia. Southern Rhodesian Africans can hope for only token representation.

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ward independence for the region as a multiracial state.

The report of the Monckton advisory commission published on 11 October outlined possible compromises to preserve the Federation. Discussion of it, however, has further polarized white and African opinion and left London little room to maneuver. The most critical controversy now is over the report's recommendation that secession be permitted after a specified number of years--a right the vast African majorities in Nyasaland and Northern Rhodesia demand and Federation Prime Minister Welensky adamantly opposes.

Nyasaland's nationalist leader, Dr. Hastings Banda, stated on 26 November that he will not attend the conference if London excludes the secession question from the agenda. The recent proposals of Tanganyikan leader Nyerere for an East African Federation possibly including Northern Rhodesia and Nyasaland may increase the drive of the African leaders in these two territories for early secession.



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London's most likely attempt at compromise would return many political powers to the territorial governments but maintain economic unity. Welensky's recent statement that economic power without political power is useless suggests he will oppose this. Northern Rhodesian copper revenues have been the mainstay of the Federation's treasury since its formation, and Nyasaland would be unviable alone.

In separate talks with Southern Rhodesian Prime Min-

ister Whitehead, London will almost certainly continue to reject his demands for removal of Britain's veto powers, which have never formally been used, over legislation affecting African rights. A further impasse regarding Northern Rhodesia is in prospect following the refusal of the white settlers to agree in preliminary talks to the African demand for a legislative majority such as was granted to Nyasaland last summer.

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INDONESIA

President Sukarno has resumed his efforts to bring Communists into the Indonesian cabinet despite opposition from the army. Communist appointments to the government so far have been limited to rubber-stamp legislative bodies and advisory groups which have not effectively challenged the army's political power.

Sukarno, however, regards the Communist party as a loyal and significant political element: loyal since it has consistently and sometimes vociferously supported him since 1951, and significant because it received the largest vote in populous Java in 1957. His concept of "guided democracy" calls ultimately for an amalgam of nationalist, religious, and Communist elements from which government leaders will be selected and within which all party lines eventually will disappear.

Sukarno can be expected to make strenuous efforts to overcome army objections. If, as seems less and less likely, the army leaders remain united and adamant, Sukarno is likely to shelve his plan until a more favorable opportunity arises.

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PART III

PATTERNS AND PERSPECTIVES

MOSCOW AND BERLIN

The key to Soviet tactics on the Berlin problem lies in the decisions Moscow took in the summer and fall of 1955. Although at the Geneva summit meeting in July that year the Soviet leaders re-endorsed the standard formula for German reunification through free elections, they made it clear they had no intention of permitting a unification of Germany which would entail the dissolution of the East German regime and seriously threaten the postwar status quo. Having failed to block the entry of West Germany into NATO and Bonn's rearmament, Moscow adopted a new course aimed at gaining Western acceptance of the concept of two Germanys.

Moscow's initial move in this direction was the establishment of relations with Bonn during Adenauer's visit in September 1955. The USSR then immediately proceeded to consolidate and strengthen the position of East Germany by concluding a state treaty granting Ulbricht's regime all the attributes of sovereignty. The provisions of the treaty, concluded on 20 September 1955, were amplified by a simultaneous exchange of letters between Soviet Deputy Foreign Minister Zorin and East German Foreign Minister Bolz.

The Bolz-Zorin letters made East Germany (German Democratic Republic--GDR) responsible for control of its frontiers, of the demarcation line with West Germany, of the outer ring around Greater Berlin, of Berlin itself, and of the communications line between West Germany (Federal Republic) and West Berlin. The agreement, however, temporarily reserved to the USSR control of Allied military access

to West Berlin, and thus refrained from directly challenging the Allies' right to free access. It is this document which provides the justification for present East German actions.

A further step in constructing the new Soviet policy was spelled out by Foreign Minister Molotov at the Geneva foreign ministers' conference in November 1955 when he rejected reunification of Germany by means of free elections and declared that unification was possible "only" through a rapprochement between the two German states. He said the four powers were no longer primarily responsible for German unification, and proposed instead that they concentrate on negotiating a peace treaty.

The last step in this process was the new Soviet position that a peace treaty should be signed with both German states or a German confederation, in contrast to the former Soviet acknowledgment that a peace treaty would be concluded with a reunified Germany. For Moscow, this new approach left two significant issues unresolved--the status of Berlin and the conclusion of a final peace settlement.

The Soviet leaders were fully aware that continued Western occupation of Berlin and the absence of a peace treaty were tangible and symbolic manifestations that the division of Germany was considered a temporary phenomenon by the West and that the Allies refused to accept East Germany as either a permanent or legitimate government. The Soviet leaders

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were also aware that the USSR's wartime and postwar gains in Europe were closely bound to the future of Germany.

Since the Kremlin was unwilling to abandon the East German regime and indulge in serious negotiations, it established a long-range goal of forcing the West to accept the permanent partition of Germany and thereby to confirm the status quo in Eastern Europe. The final step in this policy was the crisis over Berlin, initiated by Khrushchev in his speech on 10 November 1958.

Bloc Tactics: 1955-1958

From late 1955 until Khrushchev's speech, the USSR and the GDR engaged in a determined effort to isolate West Berlin and erode the Western position. In the spring of 1956 the Soviet Union finally dissolved its Directorate of Border Controls and turned over full responsibility to the East Germans. Official statements that East Berlin was the capital of the GDR culminated in the Soviet answer to the Western protest over the parade of the East German troops in East Berlin on 1 May 1956. Having made its point that East Germany was sovereign in East Berlin, Moscow turned to the issue of nonmilitary access by the Western powers.

By November 1956 the USSR had forced through Soviet demands that only Allied personnel with appropriate travel orders were permitted to ride military trains. Soviet officials also insisted on the right to inspect these orders and the identity documents of military passengers, thus underlining their claim that the Allied trains were for use of the Berlin garrisons only.

Although in 1956 and 1957 the bloc was diverted by the serious problems arising from the Polish and Hungarian revolts, Soviet and East German officials continued to reinforce East German "sovereignty" by unilateral pronouncements and actions. In a joint statement in January 1957 the two governments noted that the air corridors were provisional and limited in character and did not affect the air sovereignty of the East Germans. By the end of the year the East Germans had advised foreign travelers that they would have to obtain East German visas to enter the GDR.

Allied diplomats previously had entered East Germany on the basis of Soviet passes. Despite Western protests, this rule was adhered to by the East Germans, with the result that Allied mission officials no longer visited the Soviet zone, and, in moving from West Germany to Berlin, had to use the military orders approved by the Russians for the Allied forces.

In 1958 the Kremlin again confirmed its position that East Berlin was the capital of East Germany, rejected Allied protests over military activity in East Berlin, and refused to intervene in the detention of a US Army car by East German police. At that time, the Soviet commandant made it clear that he was no longer the "sector commandant."

Within the Soviet zone, however, unrest and dissatisfaction reached levels reminiscent of 1953, and the number of refugees coming into West Berlin increased sharply. The loss of professional personnel, primarily doctors, was particularly galling to the East German regime.

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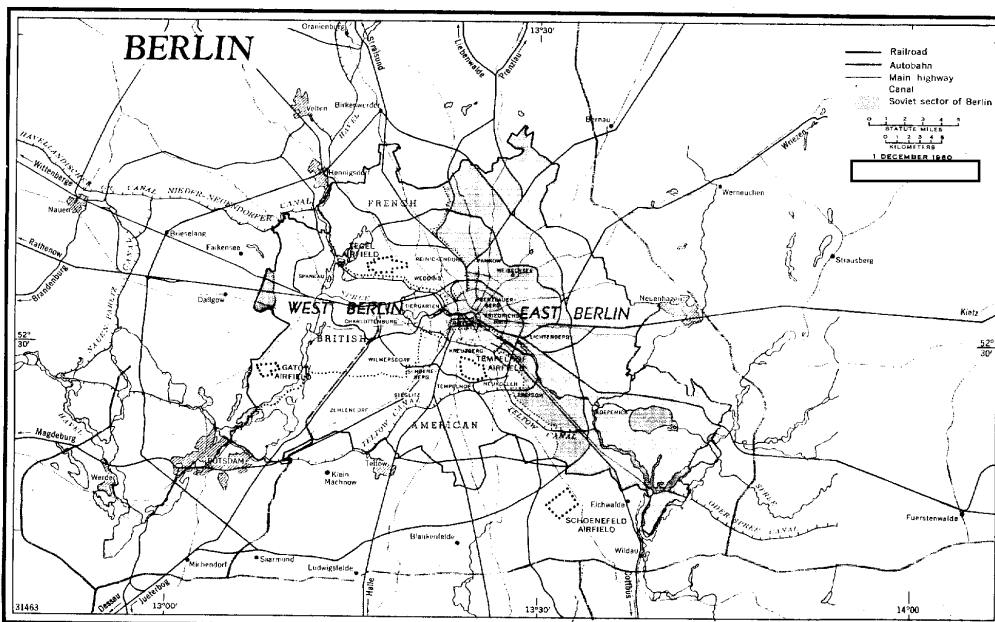
In addition, persistent Soviet erosion tactics had failed to achieve any decisive change in the Western stand by late 1958. Moreover, Khrushchev's campaign to convene a summit meeting to deal with European security and a German treaty had yielded no gains.

In the meantime Bonn not only had strengthened its ties with NATO and the new De Gualle government but also, in March 1958, decided to accept NATO-controlled nuclear weapons and missiles. By July, the Adenauer government had received a popular mandate for this policy in a local election in which the issue of nuclear weapons played a decisive role. Against this background of growing German strength in Central Europe and increasing instability in East Germany, Khrushchev chose to reopen the Berlin question in a new and acute form.

Berlin Crisis: 1958-60

Khrushchev's aim was to confront the Western powers with the apparent dilemma of risking war to maintain their existing rights in Berlin or making concessions which would erode their position not only in Berlin but on the question of German unification. In addition to using the Berlin threat as a lever for overcoming Western resistance to a summit meeting under conditions favorable to the USSR, Khrushchev's strategy was to manipulate the Berlin issue as a means of wringing concessions from the West which would lead eventually to some form of recognition of the East German regime and to acceptance of the status quo in Eastern Europe.

Since May 1959, when negotiations opened with the Geneva foreign ministers' conference,



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Khrushchev's fundamental goal has been not to drive Western forces out of Berlin in some brief period, but to bring about a fundamental change in the legal status of the city. Such a change, in Moscow's view, would seriously undermine the Western powers' long-standing insistence that their rights in Berlin--based on the unconditional surrender of Germany--continue until Germany is reunified by four-power agreement.

The Soviet position, therefore, has consisted of two main elements: an offer to negotiate a modification in Berlin's status, and a threat to take unilateral action if no agreement is reached. While the maximum Soviet demand has continued to be for the creation of a free city, all subsequent amendments, including the compromise solution for an interim period, have aimed at liquidating the Western rights to remain in Berlin without restrictions, pending German unification. Since the West has no interest in negotiating away its rights, Moscow has used several ultimatum-like deadlines, either explicit or implicit, to guarantee continuing Western interest in discussing the issue and avoiding a showdown.

The breakdown of the summit conference in Paris marked the end of this negotiating phase of the Berlin crisis and confronted Khrushchev with the choice of carrying out his threat against Berlin and accepting the high risks involved or deferring action until a further round of negotiations could be attempted with a new American administration. His choice of the latter course clearly reflected not only his preference for a policy of limited risks but also his confidence that the forces which brought about the Paris meeting were still operative in the West.

Erosion Tactics

Despite Khrushchev's post-summit pledge not to raise tension in Berlin during this interim period, the Soviet leaders, in conference with Ulbricht, apparently mapped out a campaign of moves to confront the West with a series of faits accomplis designed to weaken the Western bargaining position in a future conference and maintain a state of tension prior to further talks. With the main issue of Allied rights deadlocked pending negotiations, Moscow and the East Germans turned to the most vulnerable area and least dangerous aspect of the Western position--West German access.

The first concentration of fire on Bonn came on 30 August, when the East Germans used the little-publicized meetings of refugee groups in West Berlin to demonstrate their control not only of the zonal demarcation line but of the Berlin sector boundaries as well. With the 9 September order requiring West Germans to obtain special permission to enter East Berlin, the East Germans began to put into practice their contention, supported by the Bolz-Zorin letters, that East Berlin was the capital of the GDR.

This contention was buttressed by East German refusal to honor West German documentation for entry into Berlin by foreign diplomats accredited to Bonn. Moscow provided full diplomatic support in its note of 26 September confirming the validity of the Bolz-Zorin agreement granting East German sovereignty in Berlin. To underline this position, the Soviet commandant objected to Allied use of the title "commandant of the Soviet sector," long in disuse by Moscow but never specifically disavowed.

Having established the right to control the sector

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border, thereby making it de facto a state frontier, the East Germans will probably concentrate on improving the technical aspects of this control. This may mean rearranging transportation schedules within Berlin, reducing the number of crossing points --there now are five points where West Germans can obtain permits to enter East Berlin--and increasing the number of police to permit more effective checking.

Tightened controls, ostensibly introduced for control of West Germans, would also be utilized to screen more effectively the movement of East Berliners and East Germans. At some point the East Germans may announce new regulations forbidding East Berliners and East Germans to enter West Berlin without official permission or special documentation, thereby greatly increasing the risks for potential refugees.

At the same time, the East Germans can be expected to continue their psychological warfare against the West Berliners. A first step in the latest campaign was the decree making it impossible for West Berliners to visit bloc countries unless they obtain a special East German insert in their personal identity documents. Although for many Berliners this is a minor personal inconvenience, the GDR's refusal to honor West German passports implies that the West Berliner is a new type of stateless person.

High on the list of potential harassments will be some action against commercial flights through the air corridors--the one aspect of nonmilitary travel between Berlin and Bonn which the East Germans have not brought under control. Although the East Germans have long asserted they have the right to control this traffic, the possibilities of dangerous incidents or of a partial air blockade have deterred Moscow from allowing such action thus far.

Recent East German and Soviet statements, however, suggest that this issue could become critical. The East Germans might begin by informing the Western airlines that unless they conclude traffic agreements with the East zone or with the East German airline 'Luft-hansa', the regime will consider their flights illegal. At that point the Soviet controller in the Berlin Air Safety Center would probably inform his Allied colleagues that Moscow would limit its guarantee of flight safety to military flights only.

Pressure on the Western airlines to reach agreement with the East Germans could be applied by a series of incidents in the corridor. If the airlines opened negotiations, the East Germans would probably insist on some form of passenger control, with the result that passenger lists would dwindle.

Surface access, however, remains the most critical and therefore most vulnerable aspect of Berlin's ties to the West. In considering this issue, the USSR and the GDR would probably avoid the mistakes of the 1948-49 blockade and refrain from interfering with the movement of Allied freight or personnel and from holding up shipments of food or medical supplies, concentrating instead on stopping the movement of raw materials and processed goods essential to the city's industry.

For the bloc, a serious reduction in the flow of goods would have the obvious advantage of causing unemployment in West Berlin and weakening its over-all economic position. In such a deteriorating situation, the free-city concept would be heavily propagandized as an alternative status.

There are hundreds of harassment measures available to advance this objective of

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economic dislocation. Certain products of a leading West Berlin electrical products firm were recently confiscated on the pretext that they constituted "war production." Further use could be made of special tax decrees and tolls. Truck and barge traffic is already heavily subsidized by Bonn as a result of East German tolls imposed since 1951.

Another field of harassment which could be used to advance the bloc's over-all objective of isolating the city is the large number of West German federal offices and employees in the city. There are representatives of 12 ministries, 35 other federal offices, and several courts located in West Berlin. In support of the Soviet-East German contention that West Berlin is not part of the Federal Republic, the East Germans could begin to interfere with movement by rail and highway of federal officials and employees.

The East Germans could also confiscate supplies and equipment consigned to federal offices in Berlin. As a further measure the East Germans or Russians could insist that American military trains cease hauling West German mail cars.

Outlook

Soviet moves in the Berlin crisis have proceeded on the

principle that a combination of pressures, based largely on threatening agitation rather than overt acts, and inducements in the form of compromise solutions could persuade the Western powers to negotiate their own withdrawal from this exposed position. Khrushchev may well believe that stronger and more direct pressures would not lead to a military clash and would compel the West to consent to some significant change in the status of the city.

His reluctance to press for a showdown after the Paris summit collapsed is strong testimony, however, that the Kremlin realizes the stakes and risks are very high. In accordance with the general line of his co-existence policy, Khrushchev probably still prefers a negotiated settlement.

If the Soviet proposal for a new summit misfires, however, or if Khrushchev fails to obtain his minimum terms--some agreement pointing toward a change in the status of West Berlin--the Soviet Union will probably feel obliged to move unilaterally. In the meantime, East German harassment will be applied intermittently to strengthen Khrushchev's bargaining position and maintain pressure against the West to return to the negotiating table.

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THE WORLD SUGAR INDUSTRY

The current meeting in Mexico City of the signatories of the International Sugar Agreement (ISA), nominally concerned with setting provisional sugar export quotas for the coming year, comes at a time of great uncertainty over the future of an industry having important implications for the economic and political stability of a number of free world countries. The generally unfavorable economic outlook in recent years for sugar, long one of the most unstable of the basic commodities, has been further clouded in recent months by political developments--notably, the instability in the Caribbean area, the shifting of American sugar purchases to non-Cuban suppliers, and the emergence of the Sino-Soviet bloc as a major buyer.

To add to the uncertainty, the expected revision of the ISA in 1961 will coincide with the expiration of American sugar legislation. The ISA, the US Sugar Act, and the Commonwealth Sugar Agreement (CSA), are the major stabilizing factors in the market.

Economic Trends

The long history of international regulatory agreements for sugar reflects the persistence of economic difficulties in the industry and its vulnerability to political developments. The first of these agreements, the Brussels Convention of 1902, which was intended to regulate the growing competition between cane and beet sugar, was disrupted by World War I. A similar agreement was concluded in 1931, but it failed to alleviate the problem of mounting surpluses and declining prices and was succeeded by the first International Sugar Agreement of 1937. This in turn was disrupted by

World War II, and from 1940 until 1948 there was in effect no "free market" for sugar because of the war and the preemptive buying of the entire Cuban crop by the United States.

During the past decade, political developments such as the Korean war and the Suez crisis have resulted in sharp upward fluctuations in sugar prices, but trends in the world market have nevertheless been generally downward. The volume of trade in sugar, although increasing, has failed to keep pace with the even more rapid growth in production; despite growing world consumption, export supplies have exceeded import demand. As formerly deficit areas move toward self-sufficiency in sugar, carry-over stocks have remained large, and prices have declined at the average rate of a tenth of a cent per pound annually for the last twelve years.

International Regulation

Because of the domestic political--and, to a degree, security--interests involved, the world-wide regulations which have built up on the production and trading of sugar are probably more stringent than those for any other agricultural commodity, and the ISA, the CSA, and the US Sugar Act together control about 95 percent of the world trade.

The CSA, an autonomous closed-quota system, effective until 1966, controls the total exports of Australia, the Fiji Islands, Mauritius, British East Africa, the Union of South Africa, British Honduras, British Guiana, and the West Indies Federation. Under the agreement, the United Kingdom is committed to purchase about 1,500,000 tons of sugar each year at annually negotiated prices,

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usually well above the world price level. Additional sales --at the world price, plus an imperial preference ranging from 7 to 22 percent--are fixed by quotas.

Commonwealth exporters insist they could not cover costs if compelled to sell at world prices, and the CSA and preference system together ensure that almost all Commonwealth production is sold to the UK and to Canada.

Although the US is bound by certain general rules of the ISA, imports of sugar into the US are regulated by the US Sugar Act, a closed-quota system, which is also designed to protect the domestic industry.

In accordance with detailed provisions of the act and depending on estimated consumption requirements, the Department of Agriculture each year assigns to domestic and foreign producers, mostly those who are members of the ISA, a portion of the American market. Until last July, about 53 percent of the market went to domestic producers, 33 percent to Cuba, 10 percent to the Philippines, and 4 percent to other foreign countries.

Since the Sugar Act operates to maintain US sugar prices, any country receiving an American quota is assured not only a specific sales volume, but almost always a sizable price premium as well. This "US quota premium" averaged last year about 2.38 cents above the world price of 2.97 cents per pound.

The ISA therefore is in effect a residual operation designed to promote price and supply stability in the so-called "world free market"--i.e., the free world market not controlled by the CSA or the US Sugar Act. To achieve this, basic export tonnages have been established by negotiation--most recently in 1958--for each exporting country, and certain

INTERNATIONAL SUGAR AGREEMENT OF 1958

	BASIC EXPORT TONNAGES	EXPORT QUOTA AS OF 3 AUGUST 1960
CUBA	2 662	3 682
NATIONALIST CHINA	827	220
DOMINICAN REPUBLIC	722	954
BRAZIL	606	748
PERU	540	518
INDONESIA	441	55
CZECHOSLOVAKIA	303	209
POLAND	242	55
USSR	220	0
MEXICO	83	101
DENMARK	83	32
BELGIUM	61	0
PHILIPPINES	50	60
HAITI	50	7
HUNGARY	44	51
NETHERLANDS	44	0
FRANCE	22	0
ITALY	22	0
PORTUGAL	22	0

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general rules are enforced on the exporting and importing countries which participate, among them the USSR.

The extent to which basic export tonnages may be utilized, however, is determined by the ISA's council, operating in accordance with the precise rules of the agreement. Provisional export quotas for each year are set before 1 January, but may be modified during the year if members surrender unused portions of their quotas for redistribution, or if changes in price or demand alter the market outlook.

Interlocking Operations

The extent to which these regulatory mechanisms interlock and depend on each other has been uniquely demonstrated during the past year.

The ISA's 1960 export quotas, provisionally set in November 1959 at 87.5 percent of basic tonnages, were reduced in February 1960 to 85 percent because the world price continued to sag. The general market outlook was significantly changed that same month, however, by the conclusion of the Cuban-Soviet trade agreement and

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by Cuba's subsequent request that its proposed export of 1,100,000 tons of sugar to the USSR not be charged against its ISA quota. Reluctant to upset the entire quota pattern for what might be a temporary situation, the council decided not to act on the Cuban request at the time, but arranged instead for an unusually large surrender of unused quotas. The resulting redistribution was sufficient to accommodate the Cuban sales.

In late July, the council had to meet again to take account of the new situation resulting from the worsening of US-Cuban relations and from the conclusion of new Cuban agreements calling for the export of an additional 1,300,000 tons of sugar to the bloc. The American decision not to purchase the 700,000 tons still to be shipped under Cuba's 3,120,000-ton export quota coincided with an increase in estimated US consumption requirements and a reduction in estimates of the amount available from Hawaii, Puerto Rico, and the Virgin Islands. The net effect was an increase in American import requirements of 333,000 tons--which was allocated to non-Cuban producers.

To take account of the increase in imports by both the US and the USSR, the ISA council decided on 21 July that world demand was in excess of authorized exports, increased export quotas to 100 percent of basic export tonnages, and cleared the way for a subsequent increase to 105 percent. Although again declining to approve Cuba's

request that its shipments to the USSR be considered outside its quota, the council did decide that the US embargo had brought about "structural" changes in the market justifying the "tolerance" of shipments in excess of quotas.

Pattern of Sugar Trade

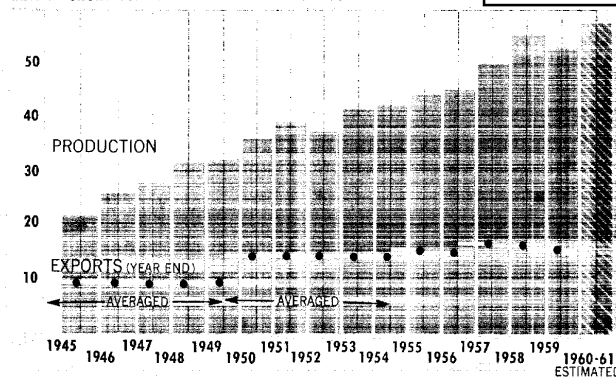
That these ostensibly moderate shifts in import demands and supplies had the effect of a "structural" change is due in large part to the relative predominance of Cuba and the United States in the world market--and to the importance of the "US quota premium."

While in recent years, six countries have accounted together for almost 60 percent of total world exports of sugar, Cuba alone normally exports about 35 percent of the total.

WORLD SUGAR TRENDS

PRODUCTION & EXPORTS

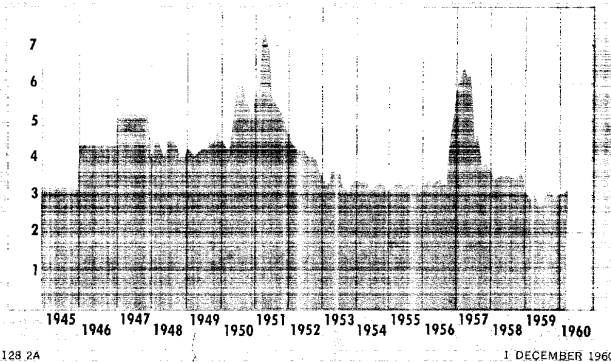
MILLION SHORT TONS



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PRICE (MONTHLY AVERAGE)

CENTS PER POUND

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The Philippines, the second-largest exporter, sells only six percent, and the next four--the Dominican Republic, Taiwan, Australia, and Brazil--together export only 18 percent. The Cuban supply and price situation is thus highly significant for the rest of the sugar industry, particularly for those countries such as Brazil, Taiwan, the Dominican Republic, and Peru whose exports are largely under ISA quotas.

Roughly 55 percent of total world imports are accounted for by three major importers, the United States, Britain, and Japan, but the United States alone accounts for nearly 30 percent. In recent years, all of Haiti's exports have moved under US import quotas, as have 75-100 percent of Nicaragua's, 95-98 percent of the Philippines', 50-60 percent of Cuba's, 35-40 percent of Mexico's, and 10-20 percent of the Dominican Republic's and Peru's. Last year, however, because of the comparatively large differential between US and world prices, these exports were worth roughly twice as much per pound on the average as exports under ISA.

Enhancing the need for stability in the world market--and stimulating the competition for an American quota--is the importance of the sugar trade to most of these countries. The sugar industry normally accounts for two thirds of Cuba's national income and about 85 percent of its foreign exchange earnings. Although reduced to second place in importance among Philippine exports since World War II, sugar nevertheless continues to supply an annual dollar income of approximately \$100,000,000.

AUTHORIZED US SUGAR SUPPLIES BY SOURCE
3 AUGUST 1960

	TOTAL AUTHORIZED	NET CHANGE SINCE 6 JULY
DOMESTIC PRODUCTION		
MAINLAND PRODUCING AREAS		
BEET	2,515	472
CANE	774	145
TOTAL	3,289	617
OFFSHORE PRODUCING AREAS		
HAWAII	940	-201
PUERTO RICO	894	-299
VIRGIN ISLANDS	9	-7
TOTAL	1,842	-508
IMPORTS		
CUBA	2,420	-700
PHILIPPINES	1,156	176
PERU	274	178
DOMINICAN REPUBLIC	131	50
MEXICO	401	336
NICARAGUA	42	28
HAITI	36	29
COSTA RICA	10	6
NETHERLANDS	10	6
PANAMA	10	6
NATIONALIST CHINA	10	6
CANADA	2	1
UNITED KINGDOM	2	1
BELGIUM	1	*
BRITISH GUIANA	**	**
HONG KONG	*	*
BRAZIL	100	100
WEST INDIES	93	93
EL SALVADOR	6	6
GUATEMALA	6	6
TOTAL	4,711	333
TOTAL ALL SOURCES	9,842	442
ESTIMATED US CONSUMPTION REQUIREMENTS	10,400	1,000

* NEGLIGIBLE

** INCLUDED IN WEST INDIES

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1 DECEMBER 1960

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In the Dominican Republic, sugar, cacao, and coffee together account for 85 percent of total export earnings. Even among the smaller producers, 22 percent of Peru's export earnings are from sugar, and the Brazilian industry, although far less important than coffee, provides the chief crop in a large and impoverished area.

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Major Uncertainties

All of these countries therefore eagerly hope that the ISA meeting in Mexico will clarify, at least in a preliminary way, the major uncertainties which have arisen during the past year--and notably the uncertainty shrouding future Cuban, and to a lesser extent, Dominican exports to the United States.

The assumption is widespread that the United States will import no sugar from Cuba next year and that, despite increases in domestic production, US imports from other sources will be materially increased. In anticipation of this, the scramble for a share of the American market with its higher prices is already on: many countries have offered supplies; expansion and mechanization programs are reportedly being contemplated; and several countries--e.g., Argentina and India--are seeking ISA membership in preparation for bidding for an American quota.

Alarmed by this anticipatory maneuvering, American officials have felt it necessary to warn of the potential risks of expanding production, particularly in high-cost areas, as long as the possibility remains that changing political conditions in the Caribbean might eventually make desirable a resumption of American purchases from Cuba.

Since the economic stakes are so large, these countries are not likely to be easily discouraged, however, and they have already made it clear that they regard the redistribution

of American quotas as a political issue. Last summer when it appeared that the Dominican Republic, whose government had just been condemned by the Organization of American States, would receive a major windfall from the American embargo on Cuban sugar, there was widespread resentment throughout Latin America.

Sugar interests also hope the ISA meeting will clarify Cuba's future sugar trade with the bloc--whether the bloc intends to remain in the world market, what impact its barter arrangement can be expected to have on the world price, and what the USSR and China intend to do with their Cuban imports. The bloc is committed to purchase about 2,500,000 tons of Cuban sugar in 1960, and at least 1,800,000 tons annually for the next four years--an amount which, although considerably in excess of previous purchases, could be easily absorbed in view of the hitherto low per capita sugar consumption in the bloc. There is concern in the sugar trade, however, that the bloc might resell its Cuban imports--possibly below world prices--even though there is no evidence at present to indicate that the bloc intends to do so.

In any case, as long as the US remains out of the Cuban market and the USSR stays in, the ISA is confronted with a major problem. Reshuffling of quotas is difficult under any circumstances, and Cuba is expected this time to seek a substantial increase. If its supplies are not accommodated, Cuba could disrupt the ISA simply by disregarding it. 25X1

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SYRIA AND NASIR'S FUTURE

UAR President Nasir is making progress toward solving Syria's problems, but his successes have been unspectacular. His rule in the northern region, moreover, continues to be threatened by possible uprisings or by an internal coup with outside support. Failure in Syria and its separation from the UAR would be a devastating blow to his prestige and to his claims to leadership of the Arab world, while even moderate success would add greatly to his stature and make him in fact the principal spokesman for the area.

His political skill has been taxed during the nearly three years of Syrian-Egyptian union as he has tried to neutralize contending factions in Syria. Conservatives, Communists, and the socialist Baath party members have been at least temporarily removed from posts of influence in government--and their parties dissolved--but a threat remains that some of these elements will form an opportunistic coalition. Nasir has repeatedly juggled cabinet appointments, internal security personnel, and military personnel

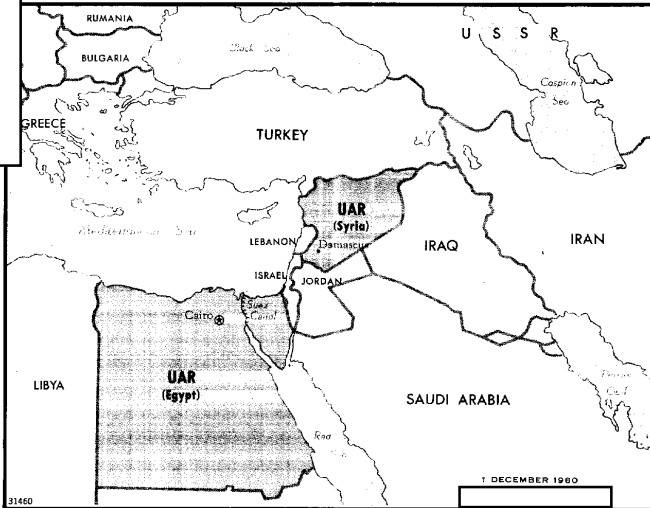
stability to an almost ungovernable people divided by class, religion, tradition, and almost every other aspect of particularism. He must do this, moreover, in a time of exceptional economic distress. In addition, he must overcome the antipathy many Syrians have come to feel toward the supremacy of Egyptians in the UAR Government.

Against these difficulties Nasir has brought to bear his two outstanding assets: a great personal prestige and skill at political manipulation. The first, while not entirely proof against rising discontent in Syria, has undoubtedly purchased time for him in the struggle. His recent speech-making visit to Syria, defending his regime against its foreign and domestic detractors, was an example of this asset in action.

to splinter any group opposing his regime. He has bowed to necessity and backed the strongman tactics of security chief Abd al-Hamid Sarraj in Syrian internal affairs despite the objections of his close advisers and the manifest unpopularity of Sarraj throughout Syria.

Future Possibilities

As Nasir undoubtedly recognizes, the Syrian situation could develop in at least four possible ways: a Syrian uprising against the union, a coup with outside support, a relaxation of the union into a loose federation, or a gradual strengthening of the

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union as present difficulties are overcome.

The regime is fully aware of the possibility of an uprising, and security measures taken thus far appear to have been successful in stifling organized opposition. While there remains widespread restiveness below the surface in Syria, while criticism of Nasir has become common

[redacted]

[redacted] a revolt is not considered likely in the near future.

[redacted]

The recent rapprochement of Iraq and Jordan has suggested to some observers the possibility of eventual coordinated efforts to pull Syria away from Egypt. Premier Qasim, struggling to keep Iraq's own contending political factions in hand, is unlikely to devote much time to such efforts

[redacted]

ist a historical affinity between Syria and Iraq--certainly a much closer kinship than between Syria and Egypt--but this is unlikely to have any appreciable influence on Syria's future.

Nasir's loss of Syria, either by internal revolt or through outside intervention, would probably be a long-lasting setback to Arab hopes for area-wide unity. Syria would probably return to a confused, if not chaotic, state of independence and would not be likely to try union with any existing Arab state. There would also result a precipitous decline in Nasir's ability to influence the actions of

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