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4 May 1961

CURRENT INTELLIGENCE WEEKLY SUMMARY



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OFFICE OF CURRENT INTELLIGENCE

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

LAOS Page 1

With a cease-fire in effect throughout most of Laos since early on 3 May, Souvanna Phouma is pressing for further talks with emissaries from Vientiane to discuss political as well as military issues. The International Control Commission in New Delhi expects to proceed to Laos shortly. Premier Sihanouk, disturbed during his recent visit to Laos by King Savang's remarks on foreign interference, has announced withdrawal of his sponsorship of the forthcoming 14-nation conference on Laos, as well as of an invitation to General Phoumi and Souvanna to negotiate their differences in Phnom Penh.

[Redacted]

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CUBA Page 4

Castro's May Day speech emphasizing the "socialist" character of his government suggests the early imposition of new totalitarian measures in Cuba. The regime may already be moving to implement the decision announced by Castro on 1 May to nationalize all Cuban private schools. Soviet propaganda continues to dwell on the Cuban theme, and two recent Pravda "Observer" articles attacked President Kennedy personally for placing the world on the "brink of war." Cuban May Day celebrations received wide coverage in the Soviet press, and Pravda published a summary of Castro's speech, including his reference to the need for a new "socialist" constitution.

[Redacted]

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25X1 DEVELOPMENTS IN SOVIET FOREIGN POLICY Page 6

Despite the USSR's continuing denunciations of the US over Cuba, May Day activities in Moscow did not assume a predominantly anti-American character. Marshal Malinovsky's address and order of the day were routine statements singling out West Germany as the "main point of military" peril in Europe.

[Redacted]

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CONGO Page 7

Tshombé's detention in Coquilhatville immobilizes the principal opponent of the UN in Katanga, and conciliatory feelers have been put out by the Elisabethville regime in his absence. Contacts between military officials of the Leopoldville and Stanleyville regimes are continuing, and the military leaders apparently are putting pressure on both governments to work for reconciliation. Relations between Kasavubu and the UN

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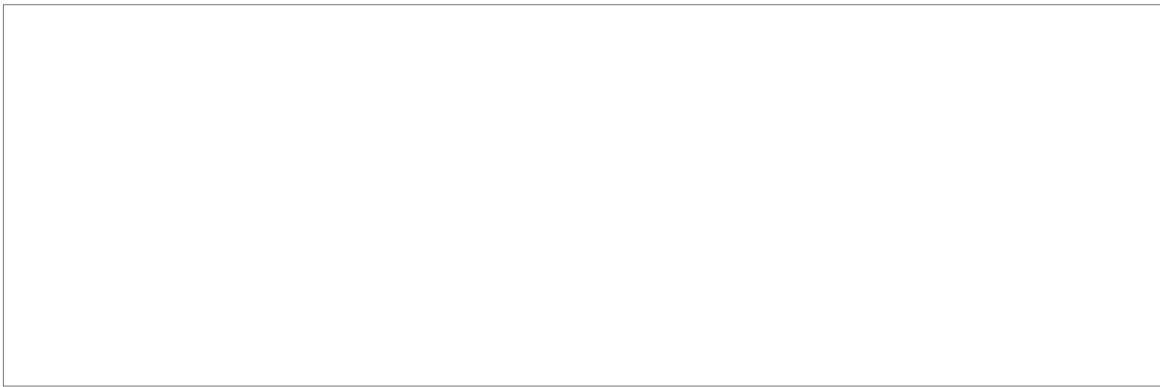
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in Leopoldville remain relatively cordial, but several possible developments--notably the return of Dayal as UN representative or an intransigent stand by Congolese leaders on the Matadi issue--might disrupt the rapport. [redacted]

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SOVIET FIRST QUARTER PLAN RESULTS Page 10

Soviet industry in the first quarter of 1961 continued its rapid growth, although at a lower rate--9 percent--than during the first quarter of last year, according to an official Soviet summary. The reduced rate may reflect the decision announced in January to cut back on the rate of overfulfillment of some industrial goals in order to achieve a better balance in the economy and provide additional support for lagging agricultural production. Industrial growth may also have been slowed temporarily by the completion during 1960 of the transitions to a shorter workweek in Soviet industry; during the latter half of the year, two thirds of the USSR's some 60,000,000 industrial workers began a 41-hour week. [redacted]

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ALBANIAN RELATIONS WITH THE BLOC Page 12

Albania's relations with the USSR and the other European satellites appear to have worsened markedly during April. By granting Albania a credit of at least \$125,000,000 for its Third Five-Year Plan (1961-65), Peiping has for the first time assumed a major role in the Albanian economy and has reduced Moscow's capability to apply economic pressure on Tirana. There have been many other indications of Albania's growing isolation. Relations between Tirana and Warsaw have become increasingly strained, Italian party secretary Togliatti has made openly critical remarks about the Albanian party, and Moscow has publicly displayed its willingness to improve relations with Tirana's principal enemy, Yugoslavia. [redacted]

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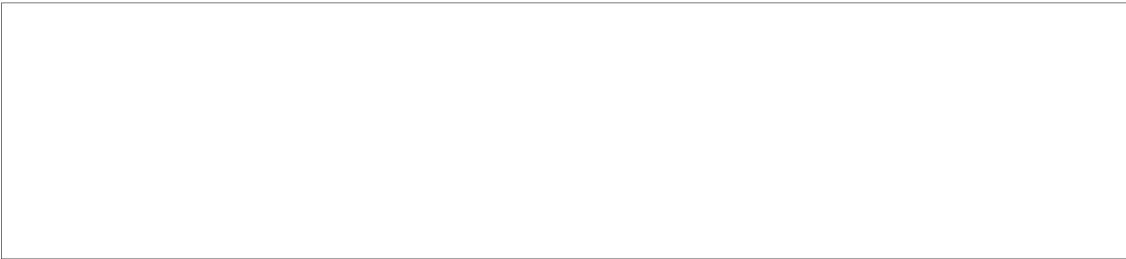
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DISSENSION WITHIN FRENCH COMMUNIST PARTY Page 16

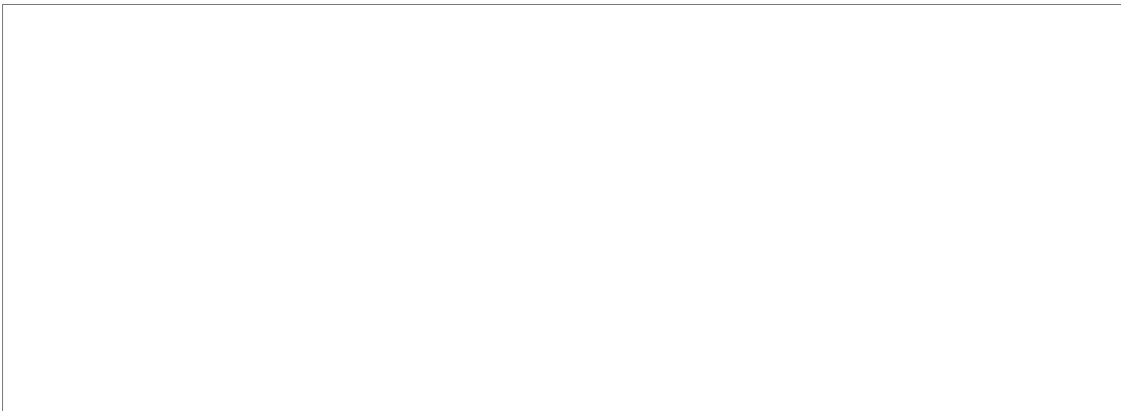
At the French Communist party's national congress scheduled for 11 to 14 May, Secretary General Thorez will probably purge "right deviationists" who oppose his hard anti - De Gaulle line. Preparations for the congress have been complicated, however, by the party's rallying behind De Gaulle during last month's military insurrection and by recent indications that the government may employ against the Communists the emergency powers it is using to crack down on the extreme rightists involved in the uprising. [redacted]

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AFRICA AND THE COMMON MARKET Page 17

The European Common Market (EEC) is seeking to establish the basis for a new "partnership" with Africa to replace the 1957 convention which associated the former French-, Belgian-, and Italian-administered territories there with the EEC. The Common Market countries are divided as to what new terms to offer these or other former colonial countries in Africa. The question of continued EEC tariff discrimination against nonassociated territories is particularly controversial. The current intensive review of these problems is a preliminary to EEC talks with representatives of 16 African states beginning early in June and looking toward the conclusion of new arrangements before the end of 1962. [redacted]

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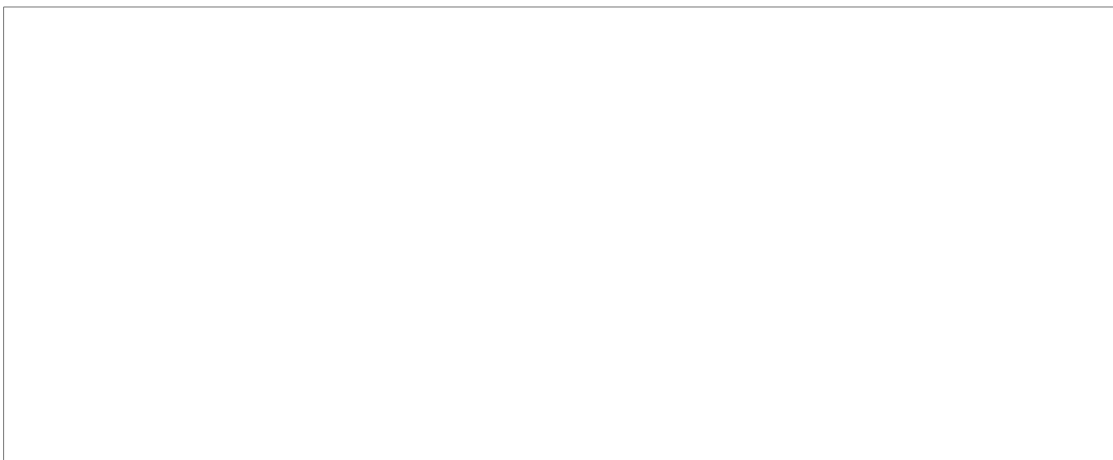
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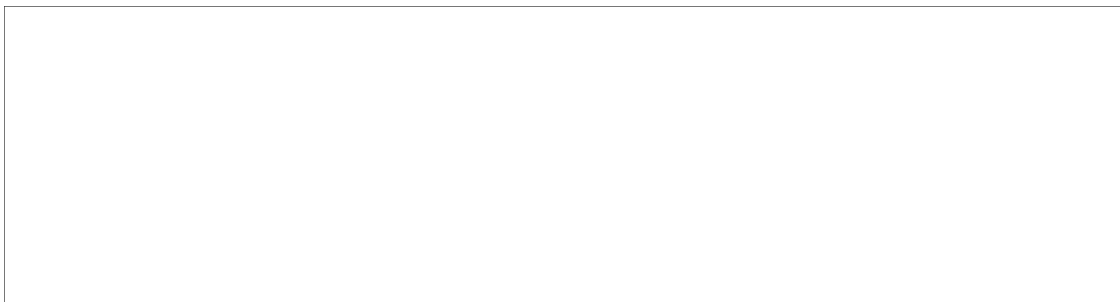
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PAKISTAN Page 20

The Pakistani Government recently announced that elections will be held in February 1962, although they had originally been promised for late this year. In addition, a report by a Constitutional Commission is scheduled for publication some time this month. These developments will probably cause a more open opposition to the military regime. President Ayub is determined to retain firm control through a strong presidential system, while the political parties--banned since 1958--still hope to regain some power under a parliamentary form of government. Ayub has shown concern over evidence of dissatisfaction with the slow pace of his developmental and reform programs.

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SPECIAL ARTICLES

PROMINENT PATHET LAO LEADERS Page 1

The top leadership of the Pathet Lao has remained substantially unchanged since the organization was formed in Vietnam in 1950. This small and diverse group of Pathet leaders is bound together by common ambition, by experience of shared dangers and hardship, and, in most cases, by ideological conviction. They are disciplined by their long years of dissidence, and their

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flexibility was demonstrated in 1957-58 when they shifted from guerrilla warfare to legal political campaigning with a high degree of success. Although they profess to be Laotian nationalists who respect the country's customs, religion, and monarchy, they are almost all Communists and the witting instruments of North Vietnamese influence in Laos. [redacted]

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THE BLOC'S FOREIGN AID PROGRAM Page 7

Sino-Soviet bloc economic and military assistance extended to underdeveloped areas now totals some \$6 billion, about \$2 billion of which has been allocated for arms aid. Thus far, however, only about a third of all the aid accepted has actually been used. Almost 60 percent of all aid commitments since the program was launched in 1955 has been made to three countries--the UAR, Indonesia, and India. During 1960--the program's biggest year thus far, with offers totaling about \$1.5 billion--assistance was provided for the first time to Cuba, Ghana, Morocco, and Tunisia. So far this year, new credits have been extended to Mali and Pakistan and aid negotiations have been started with Brazil and the Somali Republic. [redacted]

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LAOS

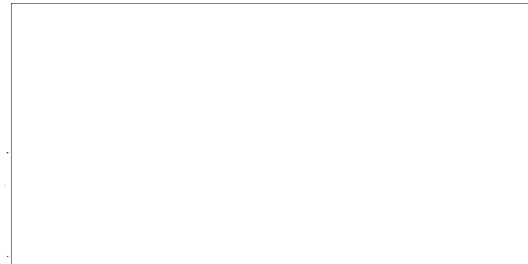
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The cease-fire ordered to begin early on 3 May by Kong Le and Pathet Lao commanders appears to be generally effective throughout the country.

continued skirmishing after the announcement may be the result of delays in passing the word to troops in the field. The cease-fire was agreed to by General Phoumi in a communiqué declaring that his commanders have been instructed to remain in defensive positions and to hold fire unless attacked.

Souvanna Phouma, in a 3 May broadcast over the Xieng Khouang radio, urged that all Laotian parties concerned in the present crisis meet on 5 May in Ban Namone, a site acceptable to General Phoumi, to negotiate political as well as military issues. Souvanna apparently envisages that political and military delegations would conduct separate but simultaneous talks. He stipulated that the political issues to be settled were the formation of a provisional coalition government and a Laotian delegation to attend the Geneva conference on 12 May.

Prior to the general cease-fire orders of both sides, a localized truce had been in effect in the area of the Nam Lik River about 50 miles north of Vientiane as a result of the 1 May meeting between representatives of the opposing forces in that area. In the meantime, however, Pathet Lao forces elsewhere had continued active.



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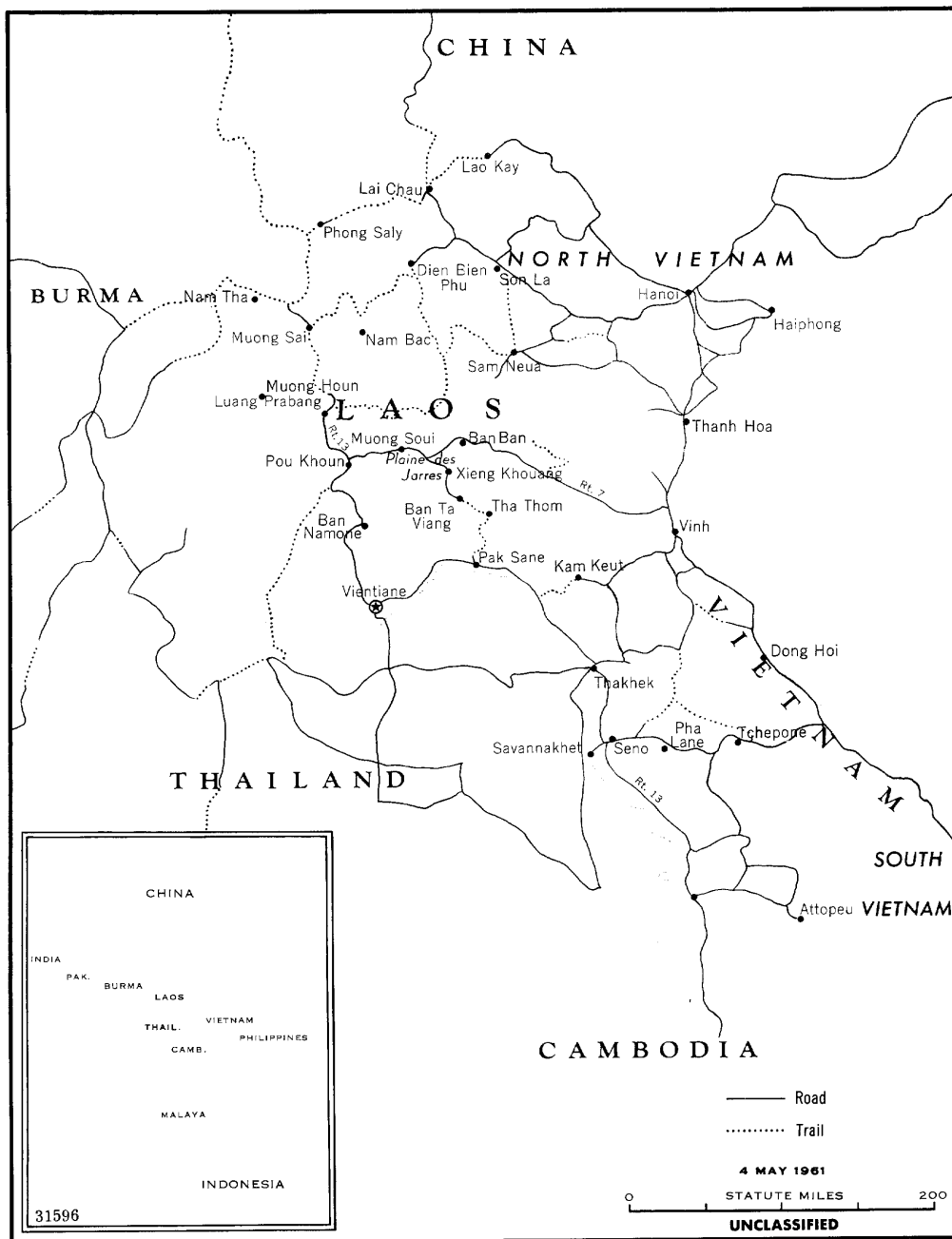
The Indian Government informed Ambassador Galbraith it expected that the Geneva co-chairmen would issue instructions shortly to the International Control Commission (ICC) to proceed to Laos. The Royal Laotian Government reportedly approves in principle the return of the ICC.

Pathet Lao statements broadcast by the Hanoi radio have asserted that the ICC will be welcome in Laos, but "has to cooperate closely with a joint armistice commission" that would contain Pathet Lao, Kong Le, and Vientiane representatives. The Pathet Lao - Kong Le combination will seek

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to dominate any such commission and hamper ICC activities.

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Premier Sihanouk, after returning from the royal funeral ceremonies in Luang Prabang, announced on 1 May that he was withdrawing his sponsorship of the 14-nation conference on Laos and that he would not take part in it. He also declared that he has withdrawn an invitation to General Phoumi and Souvanna Phouma to discuss their differences in Phnom Penh.

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On 28 April, acting as "premier of the kingdom of Laos," Souvanna signed a joint communiqué with North Vietnam's Premier Pham Van Dong agreeing to the establishment of diplomatic relations at the ambassadorial level and the signing of agreements on economic and cultural cooperation. Hanoi on 3 May revealed the details of these agreements. Under their terms, Laos and North Vietnam will establish trade relations and will extend most-favored-nation treatment to each other. A civil airline will also be set up between the two countries. Hanoi's interest in assuming a significant economic role in Laos is indicated by its commitments under the agreement to build and repair a number of communication lines, exchange experts, and train technicians.

During the past week People's Daily has twice reiterated the stipulations made in Peiping's government statement on 26 April which insisted that to "bring about and ensure a cease-fire," aid to Phoumi must be stopped; the US and its allies must remove their military personnel and equipment from Laos; and the Chinese Nationalist irregulars must be disarmed and withdrawn. Although the Communists may not hold to these stipulations as immutable conditions for a cease-fire, they clearly regard them as legitimate points for consideration in the truce negotiations.

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CUBA

Cuba's avowed entry into an "era of socialist construction," as proclaimed by Fidel Castro during the May Day celebrations in Havana, paves the way for additional internal moves which would bring the Cuban Government closer to the political structure of a Communist state. The announcement goes well beyond the international Communist description of Cuba as a "national democratic state." The proclamation of a "socialist" regime in Cuba may be an attempt by Castro to enhance his claim to further support and protection from the USSR.

Cuban May Day celebrations received wide coverage in the Soviet press. Although TASS in its initial report made no mention of Castro's claim of having established a socialist regime, Pravda subsequently published a summary of his speech including his reference to the need for a new "socialist" constitution, reflecting the socialist system he plans to build.

Castro's proclamation, which presents the bloc with an unprecedented situation, creates ideological as well as practical problems for the USSR. In order to provide an ideological framework for governments that support the Soviet bloc but are not a part of it, the meeting of Communist leaders in Moscow last November invented the designation "national democracy."

In subsequent statements it was made clear that while this fitted a number of countries it applied especially to Cuba. East German party leader Ulbricht stated that "undoubtedly the revolution of the Cuban people has created a national democratic state which has already fulfilled the task of national liberation and democratic revolution and which now is waging a struggle for further social progress." He implied that Cuba had reached the stage when it would be possible to carry out a "direct transformation from original conditions to a socialist revo-

lution avoiding the long road of capitalist development."

Thus, while placing an ideological stamp of approval on Cuban internal policies, and while proclaiming the "duty" of the socialists to support "national democratic" revolutions, the Communist statements suggests that the USSR would prefer to avoid the difficult problem of accepting Cuba as a member of the bloc.

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Moscow has not emphasized its pledges of general support for Cuba; and TASS, in reporting the 26 April press conference of the chief Soviet delegate to the UN, omitted Zorin's assurance that the USSR was prepared to come to the aid of Cuba if it is attacked. Moscow does persist, however, in picturing the Kennedy administration as preparing "new warlike adventures" in Cuba.

Pravda "Observer" articles attacked President Kennedy personally on 28 and 30 April. The first interpreted the US failure to reply to Khrushchev's 22 April letter to the President as a sign that new aggression is being planned, and concluded that the "new master of the White House" apparently agreed with the previous administration's alleged policy of "balancing on the brink of war"--which can only bring the United States "new resounding failure."

The second article charged that the "hypocrisy" of the President's protestations about

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establishing "new frontiers" of US foreign policy, strengthening peace, and creating an atmosphere of trust had become most evident against the background of the rebel invasion. "What talk can there be of trust," asked "Observer," when the United States "threatens the cause of peace" by placing the world on the "brink of conflict." The article claimed that the President is "recklessly playing with fire" in Cuba and warned that "he who kindles a fire fans a blaze."

Further opportunities for extended propaganda treatment of Cuba will come when Castro receives his Lenin Peace Prize. Castro said he would like to go to Moscow to receive the award.

Castro's 1 May espousal of "socialism" also underlines the powerful role the Popular Socialist (Communist) party (PSP) has come to play in Cuba. Although Castro ordered that all political parties be dissolved when he assumed power in January 1959, the PSP subsequently emerged as the sole political organization of importance in Cuba. PSP members--estimated last January to be 18,000 strong--occupy most positions of importance in all branches of the government and in the labor, education, and public information fields. Party leaders,

[redacted], maintain that the relationship between Castro and the PSP is "exceedingly close."

In his 1 May speech, Castro said that the nationalization

of private schools would be decreed shortly. This action seems aimed primarily at Cuba's 250 parochial schools, which are presently responsible for the education of about 65 percent of the nation's 200,000 privately taught school children. These parochial schools have been regarded by the government as hotbeds of "counterrevolutionary" activity for some time.

The Cuban premier also observed on 1 May that Cuba's 1940 constitution "has been left behind by this revolution" and that a new "socialist constitution" was needed. Minister of Industry Che Guevara told in a 30 April televised speech of "an economic plan for the country, a socialist plan." Guevara's presentation was devoted largely to explaining the details of Cuba's five-year industrialization plan, and he also described future bloc material and technical assistance projects in support of the plan.

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Cuba's rejection of Costa Rica's plea for clemency for those captured in the landing has occasioned a considerable stiffening in the Costa Rican Government's attitude toward Castro. President Echandi told the Costa Rican congress on 1 May that the principle of strict nonintervention in another country's affairs is "outdated." [redacted]

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DEVELOPMENTS IN SOVIET FOREIGN POLICY

Moscow last week expanded its attacks on the US over the events in Cuba to include vituperative criticism of the President personally as well as broad denunciations of US policies--especially in the "Observer" articles in Pravda on 28 and 30 April. While the Soviet leaders are determined to exact the maximum propaganda gains from the Cuban developments, their treatment of the May Day activities suggests that they do not plan a long period of bitter hostility toward the US such as followed the U-2 incident. Their statements made no mention of the U-2 affair of last May Day, and the official editorials for this year's celebrations and the address by Marshal Malinovsky were relatively moderate in comparison with the "Observer" articles and not predominantly anti-American in content.

Pravda's editorial on 1 May, however, referred to the "criminal intrigues of American imperialism" in Cuba, and Malinovsky in his order of the day and speech in Red Square repeated this line, stating that "armed intervention" against Cuba was organized by "imperialist circles of the US." Malinovsky also warned that the "aggressive circles of the imperialist states. . . are resorting more and more frequently to military action to put down the growing national liberation movement" in Africa, Asia, and Latin America.

The military section of the Moscow parade differed little from those in recent years. No new equipment was shown, and the emphasis was on missiles and armor, a common practice for several years. Malinovsky claimed at one point that the

USSR now has "perfect weapons which excel anything an army has ever had." Although this could be taken to refer to weapons as yet unrevealed, it is more likely that he was merely praising the general quality of Soviet military equipment. In Berlin, the East German Army displayed 21 T-54 medium tanks and about 15 armored amphibious tanks, the first seen in its possession.

Malinovsky's warning that West Germany is the main point of military peril in Europe reflects the increasing attention given to Germany by the bloc. A communiqué issued on 28 April at the end of Rumanian leader Gheorghiu-Dej's visit to Warsaw called for the "fastest possible" conclusion of the German peace treaty and transformation of West Berlin into a demilitarized free city. The communiqué also warned that the bloc would sign a separate peace treaty if the Western powers continue to "endlessly delay the conclusion of a treaty with the two German states."

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**CONGO**

With Tshombé under detention at Coquilhatville, the Katanga regime is in the hands of elements somewhat more favorably disposed toward the UN and toward limited cooperation with Leopoldville. Leopoldville officials apparently believe that with UN help the Congolese Army units now directed from Stanleyville and Elisabethville can be put under their control.

the principal aim of the Coquilhatville conference was to immobilize Tshombé and put pressure on the Katanga and Orientale regimes to permit the disarmament of their forces.

The Elisabethville regime announced on 2 May that it was ready to discuss with the UN

disarmament of army elements in Katanga and the withdrawal of the province's foreign advisers. Tshombé's release apparently is a precondition for this concession, which reflects anti-Belgian sentiment on the part of Tshombé's lieutenants as well as a somewhat more cooperative attitude toward the UN than was evinced by Tshombé and his Belgian advisers.

Tshombé reportedly is to remain in Coquilhatville until the current conference ends on about 8 May. Leopoldville leaders are reluctant to permit him to attend the meetings, however. His continued absence from Katanga will further weaken his position in the province and may lead to his replacement by an

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anti-Belgian group headed by Interior Minister Munongo.

Contacts between military representatives from Leopoldville and Stanleyville have continued. Six officers from Gizenga's forces attended the Coquilhatville conference and reportedly have returned home to try to persuade Gizenga to put in an appearance. Gizenga --backed up by his military commander, General Lundula--continues adamant that a convening of parliament is a prerequisite for reconciliation, and the Stanleyville military representatives apparently have insisted that the Stanleyville officials be included in any unified government.

Military leaders, who have consistently favored a unitary constitution for the Congo, apparently are also exerting pressure on the Leopoldville government to this end. Their efforts are likely to be abetted by Foreign Minister Bomboko, who has been the key figure at Coquilhatville; they may be opposed by Kasavubu, however.

[redacted] the Gizenga regime is stronger and more stable than in the past. There [redacted] is little internal dissension within the government; however, friction still exists between the Gizenga "central government" and the moderate Orientale provincial regime headed by Jean Foster Manzikala. Economic conditions continue to deteriorate in the province, although the scarcity of banknotes apparently has been alleviated and trade across the Uganda border has picked up slightly.

Relations between Kasavubu and the UN remain relatively cordial, but several possible

developments--notably the return of Dayal as UN representative or an intransigent stand by Congolese military leaders on the Matadi issue--might disrupt the rapport.

In New York, Hammarskjold believes that Kasavubu's agreement with the UN over Matadi, together with the Leopoldville regime's apparent willingness to force the disarmament issue with Katanga, has put the Congo problem in a "most hopeful" new phase. He told American officials recently that the action against Tshombé improved the chances of a rapprochement between Leopoldville and Stanleyville, adding that he had received confirmation of the existence of a military agreement between the Mobutu and Gizenga forces. He also indicated that as a result of the improved situation, he might be able to shorten Dayal's stay in the Congo and shortly to substitute a five-man commission for the post of senior UN representative.

However, the Congolese continue to oppose even a brief return to Dayal.

[redacted]

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In addition, Mobutu apparently has unilaterally imposed restrictions on UN activity in Matadi which go beyond the recent agreement between Kasavubu and the UN. Neither the UN nor the Congolese seem desirous of inflating this issue into a major conflict; however, incidents could occur as a result of the dispute.

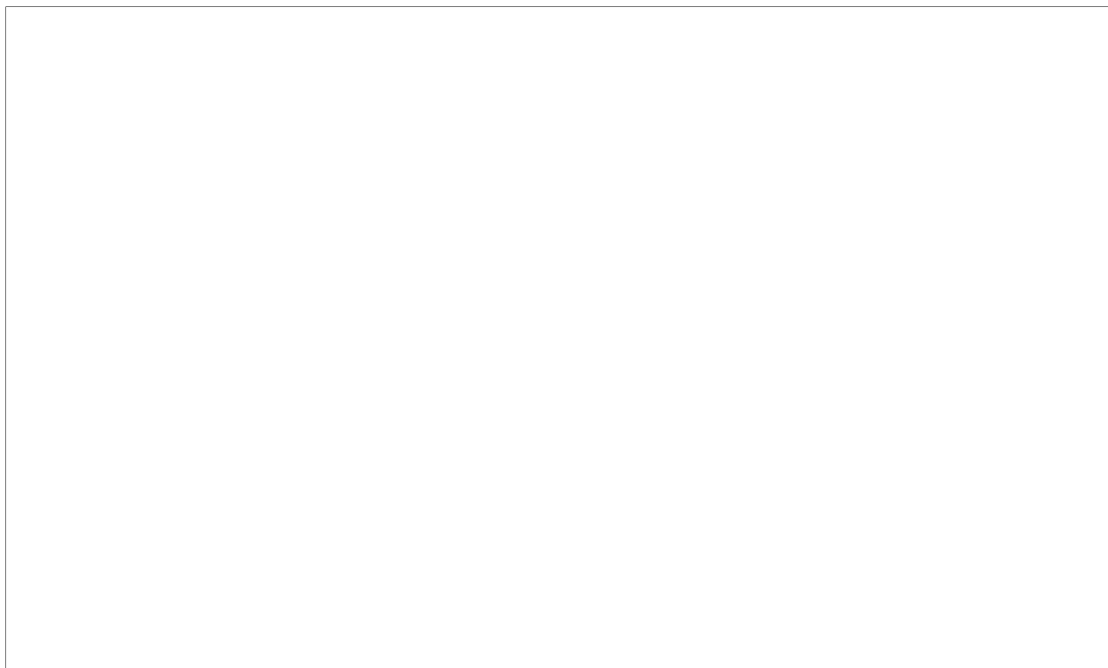
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SOVIET FIRST QUARTER PLAN RESULTS

Soviet industry in the first quarter of 1961 continued its rapid growth, although at a lower rate--9 percent--than during the first quarter last year, according to an official Soviet summary. First-quarter reports are necessarily sketchy and report on what is usually the poorest quarter of the year. The reduced rate may reflect the decision announced in January to cut back on the rate of overfulfillment of some industrial goals in order to achieve a better balance in the economy and provide additional support to lagging agricultural production. In addition, the change-over to a shorter workweek for the final two thirds of some 60,000,000 factory workers and other employees during the last six months of 1960 may have slowed industrial growth temporarily.

Nevertheless, the 9-percent increase in gross industrial production is in accord with the schedule set by the Seven-Year Plan (1959-65). In addition, the basic industrial commodities registered substantial increases, although, in general, slightly less than last year. For example, steel production increased 7 percent--as compared with 11 percent last year--but actual production rose to over 96 percent of that in the US during the same quarter..

The industrial slowdown was particularly marked in light industry. Production of cotton and linen fabric showed no increase over the same period a year ago, and the production of rayon and other synthetic fibers, while up 8 percent, was still below the level achieved in the first quarter of 1959. On the

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	1st Quarter 1960	1st Quarter 1961	Percentage Increase	Percentage planned for 1961	Annual percentage increase needed to achieve Seven-Year Plan goals
Gross Industrial Production (percentage increase)	11.0	nearly 9.0	--	8.8	8.6-8.8
Industrial Labor Productivity (percentage increase)	7.0	more than 3.0	--	--	5.5-6.0
Pig Iron (million metric tons)	11.4	12.3	7.9	9.4	7.4-8.5
Crude Steel "	16.1	17.3	7.5	9.2	6.6-7.4
Petroleum "	34.5	39.1	13.3	10.8	10.6-11.3
Coal "	129.0	129.0	0	0	2.8-3.0
Gas (billion cubic meters)	11.9	15.2	27.7	34.0	25.3
Electricity (billion kilowatt hours)	65.9	72.4	9.9	12.0	11.7-12.1

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other hand, consumer durables--refrigerators, washing machines, and furniture--showed impressive gains.

Petroleum continues to receive priority in fuel-production planning and at the present rate the annual plan for oil output may be overfulfilled by more than 2 percent. The goals for natural gas have not been met for several years, and production may fall short again this year. The program for laying gas pipelines during 1961 has been reduced, apparently in order to release materials and technical support for petroleum pipeline construction. Coal output did not increase, apparently in accordance with the regime's program for that commodity.

The reported increase in industrial labor productivity--more than 3 percent--is considerably less than the annual average of 5.5 to 6 percent called for in the Seven-Year Plan and was the lowest quarterly gain reported in recent years. This was probably the result of a decision made several years ago to institute a 41-hour work-week. This schedule was first adopted in heavy industry, where productivity could be improved by altering production arrangements. Labor productivity in 1959 actually increased 7.4 percent. By 1960, conversions to

the shorter week began in light industries, where the shorter hours had to be offset by increases in the labor force or more capital. The 5.3-percent rise in labor productivity for 1960 was slightly below plan, and much of the fall-off took place in the last quarter of the year.

The continued overfulfillment of the production plan at the same time that the labor productivity goal was underfulfilled indicates that the industrial labor force during this past quarter expanded considerably more than planned. Additional workers include demobilized servicemen, housewives, former farm laborers, and youths transferred from full- to part-time schooling.

The report of a 13-percent reduction in meat processed at state slaughterhouses is likely to stimulate further reports of food shortages in various parts of the USSR. The poor agricultural showing during 1960 probably has resulted in some minor deterioration in the quality of the diet and temporary local shortages of some food-stuffs, but the amount of food available per capita is considerably greater than even a few years ago and the first quarter's meat production was one of the best on record.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****ALBANIAN RELATIONS WITH THE BLOC**

Albania's relations with the USSR and the other European satellites appear to have worsened markedly during April, perhaps as a consequence of a Soviet-sponsored bloc discussion in late March of what to do about the Albanian deviation. The meeting of the Political Consultative Conference of the Warsaw Pact in Moscow on 28 and 29 March--attended by all European satellite party leaders except Albania's Enver Hoxha--may have agreed to take steps intended to isolate Albania from the rest of the Soviet bloc.

On 8 April, Moscow reminded the Albanians of their obligations to the socialist camp: a Soviet broadcast to Albania noted that the country "is a member with equal rights of the Warsaw Treaty" and observed that the Albanian people's "great advances" have been enabled by bloc aid and Tirana's "extensive and diverse cooperation with other socialist countries."

Political Relations

Soviet-Albanian relations had reached a low point in Moscow in November when Hoxha and Khrushchev [redacted] exchanged insults and criticism in front of the delegations of 81 Communist parties. The Albanians--

encouraged by Chinese Communist support--have held to their foreign policy positions, restating them at the Albanian party congress in Tirana in February, again at the fifth Albanian Trade Union congress in April, and most recently by Hoxha on May Day.

At the trade union congress the Albanians announced their intention to proceed with trials of "spies and traitors" involved in an abortive coup attempt of last summer which Tirana alleged was launched by Yugoslavia, Greece, and the United States. The proposed trial would probably take place over the private objections of the Soviets, who presumably suspect that some of those indicted would be pro-Soviet sympathizers who may have been behind the coup.

Soviet media have virtually ignored the congress and have reported excerpts only of the speech by the Soviet delegate.

There have been other indicators of Tirana's isolation. Moscow hailed the meeting in Athens in mid-April of representatives from Rumania, Bulgaria, Yugoslavia, and Greece as the "first postwar all-Balkan conference" despite the fact that the Albanian delegates were

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unable to attend because Athens refused to issue visas to them.

Criticism of Albania was reflected in an article by Italian Communist party leader Togliatti in the April issue of the party journal Rinascita. In a rare public criticism of the policies of another Communist party, Togliatti stated: "Questions of internal debate and life within the Albanian party are posed in a manner which seem to us wrong and dangerous." This followed the equally strong criticism of "Albanian sectarianism" by East German leader Ulbricht at a party plenum in mid-December.

Relations between Tirana and Warsaw have noticeably cooled in recent months. The Polish representative's comments at the trade union congress were the only ones not reported by Albanian media. Previously the Albanian regime had been conspicuous by its singular failure on the eve of the congress to send an official birthday greeting to Polish Premier Cyrankiewicz. In late March, the Polish ambassador to Tirana was recalled and apparently has not yet been replaced.

Fundamental differences with the USSR over policy toward Yugoslavia has been at the root of much of the Albanian intransigence. Albanian-Yugoslav tensions have been growing;

At the same time that Albania's intense fear of Yugoslavia has been on the rise and Tirana has been fomenting a crisis with Belgrade--

that serious border incidents are possible--Soviet-Yugoslav relations have remained normal and are a source of intense irritation to Tirana. While the Albanians were exhorting the world trade unions to "fight, expose, and defeat" Yugoslav revisionists, a Yugoslav trade union delegation was arriving at Moscow at the invitation of its Soviet counterparts.

Albanian-Yugoslav relations may come under discussion later this month when Yugoslav Foreign Minister Popovic visits Moscow. The background for the visit was spelled out in a Moscow radiobroadcast of 26 April--the day after the announcement of the exchange of visits by the foreign ministers of the two countries--when it was stated that relations between the USSR and Yugoslavia were good, bilateral cooperation could be expanded, and the "attitudes of the USSR and Yugoslavia coincide on the main international questions."

Sino-Albanian Aid Agreement

By granting Albania a credit of at least \$125,000,000 for its Third Five-Year Plan (1961-65), Peiping for the first time has assumed a major role in the Albanian economy and has reduced Moscow's capability for applying economic pressure on Tirana.

Expressing gratitude for Albania's "brotherly" concern for China's "struggle," Peiping makes clear in the communiqué issued on 25 April that the new aid is Tirana's reward for supporting the Chinese in the Sino-Soviet dispute.

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Chinese publicity emphasized Peiping's respect for the "revolutionary" spirit of the Albanians in opposing imperialism and Yugoslav revisionism.

The statement in the communiqué that Sino-Albanian economic relations "fully embody the proletarian internationalist spirit of mutual support and close cooperation" strongly implies resentment of Soviet economic pressures imposed on both China and Albania and of Moscow's minimal help in the present Chinese economic crisis. This hard feeling toward the Soviets was echoed by Kellezi, who flaunted the "complete unanimity," of Sino-Albanian views, stressing that their mutual support proved that the Chinese and Albanians--by implication, unlike the Soviets--are "true friends and comrades under all circumstances."

The magnitude of the new Chinese credit is surprising, in view of Peiping's own economic difficulties. Since last autumn the Chinese have been delivering increasing amounts of wheat and other foodstuffs to Albania, both from China and from non-bloc sources on Chinese account. When Soviet deliveries were not increased sufficiently to meet Tirana's requests, the Chinese Communists stepped up their own deliveries to fill the gap. The new Sino-Albanian economic agreements indicate the Chinese will probably

provide the bulk of Albania's food imports.

The best indication of the new Chinese role in Albania is the commitment to construct some 25 complete industrial installations and to provide large-scale technical assistance. Peiping has similar programs in all three of the Asian satellites, where Sino-Soviet competition is already prominent, but previous Chinese aid to Albania has consisted almost entirely of grain and raw material deliveries on a credit basis. The dispatch of Chinese technicians, machinery, and equipment to Albania will place some additional burden on China's economic resources, but there is no reason to doubt the regime's determination or ability to carry out its part of the bargain.

It is possible that many Soviet technicians in Albania will be replaced by Chinese;

[redacted] this process may have already begun.

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The Chinese credit is roughly equal to the amount of aid the USSR and East European satellites have extended for Albania's new Five-Year Plan. Communist China provided only about 15 percent of the \$140,000,000 in credits the bloc provided for Albania's Second Plan (1956-60). Moscow, having already concluded a 1961 trade pact with Albania, has not offered new aid, but under a long-term agreement signed in 1959 is committed to provide credits worth \$75,000,000 for the new plan.

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DISSENSION WITHIN FRENCH COMMUNIST PARTY

At the national congress of the French Communist party (PCF) from 11 to 14 May, Secretary General Maurice Thorez will probably purge "right deviationists" who oppose his hard anti - De Gaulle line. Discussions in the party press have centered on the "deviation" question, and this concern may be reflected in the composition of the new central committee to be named by the congress. Preparations for the congress have been complicated, however, by the party's rallying behind De Gaulle in last month's military insurrection and by some indications that the government may employ against the Communists the emergency powers it assumed to crack down on the extreme rightists involved in the uprising.

In late January the central committee charged Marcel Servin and Laurent Casanova with "rightist deviation" for having advocated qualified support for, rather than rigid opposition to, De Gaulle, particularly in connection with the referendum that month on De Gaulle's Algerian policy. They delayed recanting until late March, and then were criticized --Casanova in particular--for "inadequate" self-criticism.

Maurice Kriegel-Valrimont, who held high government positions during the immediate post-war years and later became editor in chief of the official PCF weekly France-Nouvelle, was added to the list of deviationists for refusing to criticize the other two before his local party federation. A "younger generation" French Communist, he and Casanova are the last major representatives in the party's top leadership of the wartime underground French Resistance as opposed to the "Moscow Resistance" headed by Thorez. The other major leaders of the underground--Pierre Hervé,

Charles Tillon, and Auguste Lecoq--were ousted in 1956-57.

Widespread reverberations among PCF militants [redacted] accompanied the condemnation of Servin and Casanova, who were ousted from the politburo in late February, and considerable unrest seems to have continued at lower levels in the party.

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At the height of the 22-25 April insurrection, the PCF leaders' stress on the dangers of the "fascist rebellion" and the need to "save the nation" contrasted sharply with their criticism of De Gaulle earlier this year as the greatest danger to Communists, and left them open to the same charges of having erroneously evaluated the internal French situation which they have lodged against the "deviationists."

On 28 April the government seized issues of the PCF's Paris mouthpiece L'Humanité, the fellow-traveling Liberation, and five provincial Communist dailies because they published a central committee statement that the government, following the collapse of the military rebellion, would take measures against the French people. Thorez publicly exploited this move as a springboard for another appeal to leftist and center parties and to the labor unions to unite in opposition to De Gaulle's "arbitrary personal power."

The impact of this latest appeal is likely to be enhanced by reported resentment in these groups over De Gaulle's failure to mention publicly the role of the massive worker demonstration on 25 April--sponsored by all the major unions in separate but simultaneous calls--in convincing the insurrectionists that all was lost. [redacted]

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AFRICA AND THE COMMON MARKET

Issues of considerable economic and political importance to the Atlantic community are involved in the current intensive review in the European Common Market (EEC) of its future policy toward Africa. Nearly all interested parties agree that the development of new ties--based on equality--between the EEC and the newly independent African states in particular could carry major advantages for the West. The EEC countries are divided, however, on what new "partnership" terms to offer the Africans. A further complication is the EEC's

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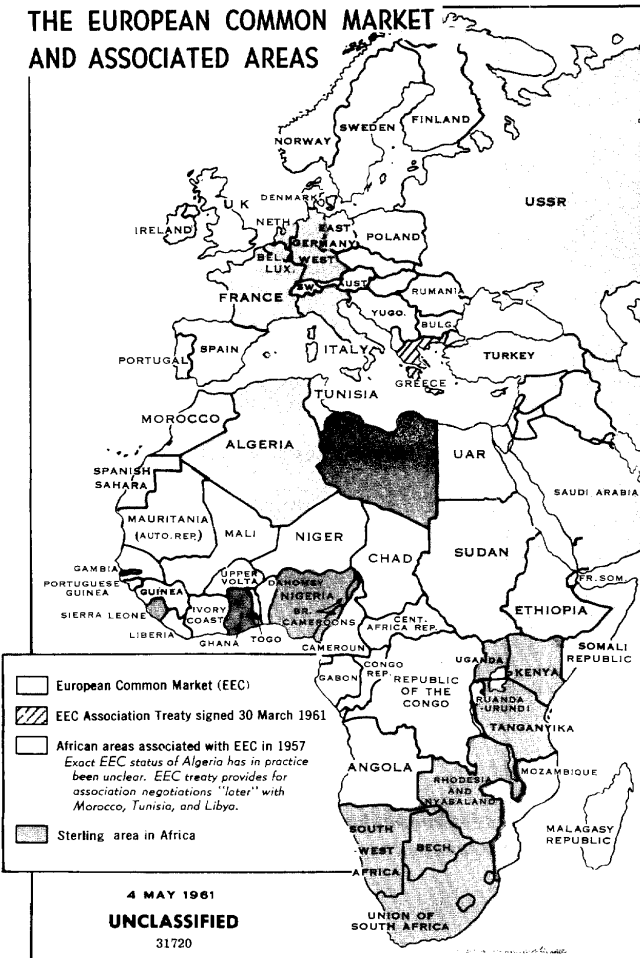
Primarily at French insistence, the Common Market (EEC) treaty of 1957 provided for associating with the EEC the non-European territories which at that time had "special relations" with Belgium, France, Italy, and the Netherlands. Since then, 17 independent states have emerged from such associated territories in Africa. All but Guinea retain de facto association with the EEC and continue to receive developmental aid administered by the EEC; several have opened missions to the Common Market at its Brussels headquarters. Discussions toward a new African-EEC convention began at a meeting in Rome last January and are expected to resume early in June. A joint parliamentary meeting is scheduled to open in Strasbourg on 19 June.

unresolved relationship with Britain and the various sterling area countries in Africa, and there is considerable concern elsewhere lest a new European-African association continue tariff discrimination against other developing areas such as Latin America.

These issues are emerging because of the expiration next year of the 1957 convention linking the former territories of France, Belgium, and Italy to the Common Market. In addition to \$581,000,000 in developmental aid over a five-year period, the key feature of this convention is the provision for an EEC-African preferential system. During the 12- to 15-year transitional period initially foreseen for the EEC, exports of the associated territories are gradually to obtain tariff-free entry into the Common Market and, in theory at least, the associates are to reciprocate. In practice, however, the Africans are permitted to retain duties for both revenue or development purposes, and the resulting EEC-African relationship is roughly that of a free trade area in which the participants retain tariff freedom with respect to third partners.

While most of the associated countries seem interested

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in retaining links with the EEC, there are substantial problems involved, the most complex of which is whether to revise, continue, or extend this preferential system. Preferences have always been of questionable legality under the GATT, and some within the EEC itself have questioned the wisdom of extending a privileged position to only a part of Africa. Such privileges have their historical antecedents, however; they are apparently valued by the African states involved and it is questionable that either the Africans or the EEC will readily give them up.

Various suggestions have been made for mitigating the impact of this discrimination. The Dutch, for example, have proposed that association be open to all African states--perhaps to include even long-established countries like Ethiopia and Liberia. Others have suggested that the EEC reduce its common external tariff on primary African exports, or even that it join with other major importing coun-

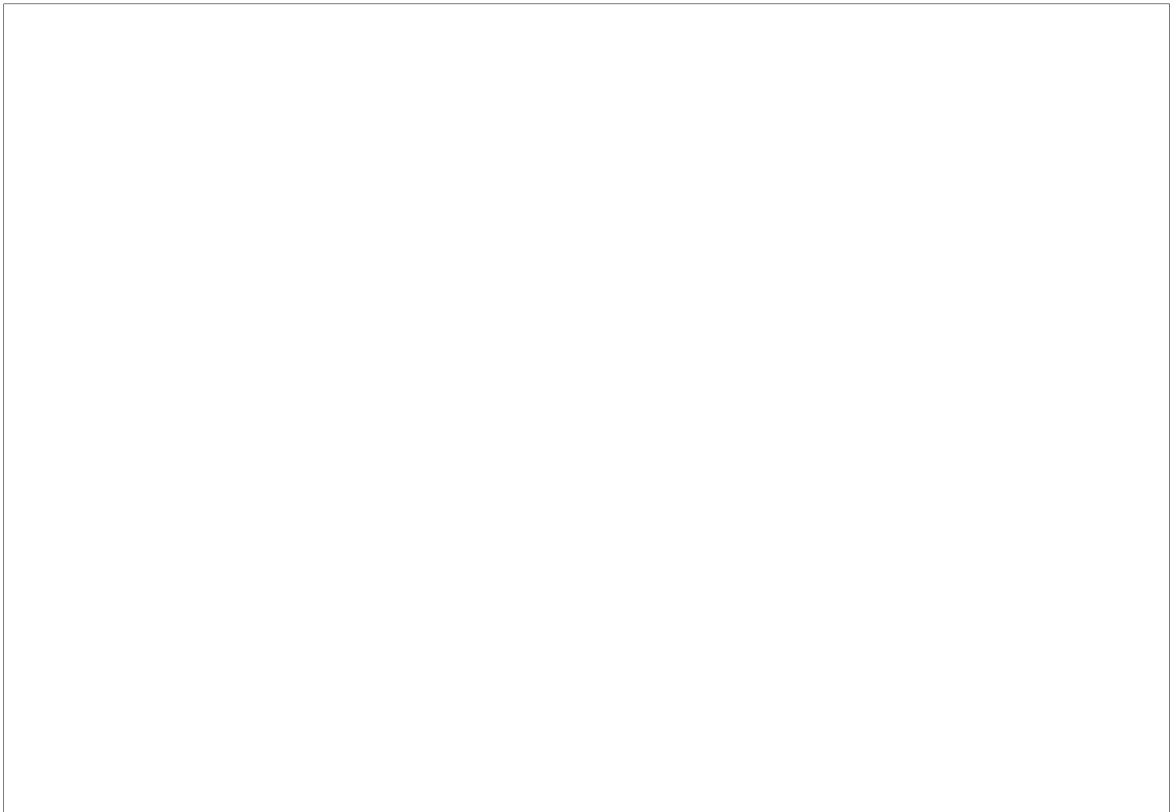
tries such as the UK and the US in eliminating tariffs on all tropical products. Such tariff-free treatment might be linked, it is suggested, with commodity price stabilization programs of benefit to all producers.

The trouble with such schemes, however, is that they depreciate the political considerations associated with favoritism.

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so are there now elements in the EEC which feel that at least a degree of preference is essential to a continued African-EEC association.

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CURRENT INTELLIGENCE WEEKLY SUMMARY**PAKISTAN**

The accumulating resentment and frustrations among Pakistan's politically conscious elements is likely to be expressed more openly in the near future. A report by a Constitutional Commission, scheduled for publication this month, will provide ammunition for critics of the Ayub military regime. Many of them want a parliamentary type of government with a greater role for individual politicians instead of the tighter presidential system favored by Ayub.

Critics are also likely to seize on the regime's announcement this week that elections will be held in early 1962, although they had been promised by the end of this year. This delay is reminiscent of postponements during the weak civilian governments before the 1958 coup and will be ascribed to the same reason--the government's fear that it cannot control the balloting.

Behind the essentially political criticism, however, is a growing belief on the part of journalists, lawyers, and students that the regime has not fulfilled its promise of more

dynamic leadership, particularly in economic and political development. For example, rising prices on basic commodities, following the lifting of price controls on such items as cotton and wheat, are generating discontent, and Ayub has been showing some concern. There is also growing impatience with the slow pace with which the local government councils, elected in January 1960, are being put into operation.

All groups will have to probe whether and to what degree the regime intends to continue to enforce the general ban on party activity in the light of the promised elections. The political groups in the best position to draw at least initial advantage from the situation are the Communists and the militantly religious Jamaat-i-Islam. The Communists, outlawed in 1954, have had seven years in which to develop an effective underground organization, while other parties have been politically inactive since the ban of 1958. The Jamaat has continued working in social and religious fields, thus maintaining a usable structure.

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PROMINENT PATHET LAO LEADERS

The top leadership of the Communist-dominated Pathet Lao has remained substantially unchanged since the organization was formed in Vietnam in 1950. This small and diverse group of Pathet leaders is bound together by experience of shared dangers and hardships, by common ambition, and, in most cases, by ideological conviction. They are a disciplined group, hardened by their long years of dissidence. Their versatility was demonstrated in 1957 and 1958 when they shifted successfully from guerilla warfare to legal political campaigning; several of them have considerable following among non-Communist Laotians. Although they profess to be Laotian nationalists who respect the country's customs, religion, and monarchy, the Pathet leaders are almost all Communists and the witting instruments of Vietnamese influence in Laos.

Background

The roots of the Pathet Lao go back to the period immediately after World War II when a "Free Lao" movement fought against the reimposition of French colonial rule. The French occupied Savannakhet, Vientiane, and Luang Prabang in the spring of 1946, and the members of "Free Lao" fled to Bangkok, where they remained until Laos was granted autonomy in 1949.

During this three-year period the Vietnamese Communists (Viet Minh) worked hard to bring the Laotian independence movement under Communist control. Most of the Lao leaders were

hostile to Communist ideology and distrusted any approach from Vietnam, one of their country's traditional enemies. A faction led by Prince Souphannouvong, then deputy military commander of "Free Lao," did cooperate with the Vietnamese and in February 1949 was expelled from the movement.

Souphannouvong and 22 of his followers then formed the "Lao Liberation Committee," shifted their base of operations to North Vietnam, and on 13 August 1950 established the Pathet Lao "resistance government." Under Viet Minh direction and training, the Pathet Lao organization recruited in remote and sparsely populated sections in Laos.

On 12 April 1953 the Viet Minh forces carried out a full-scale invasion of Laos under cover of the "resistance government" of the Pathet Lao. The Viet Minh "volunteers" who comprised the bulk of the invaders carried the Pathet Lao organization into Laos and established it in Sam Neua, Xieng Khouang, and Phong Saly provinces. Two subsequent drives extended Pathet Lao control to parts of central Laos; there were also pockets in southern Laos. The Geneva Agreements of 1954 in effect confirmed the Pathets' de facto control over Sam Neua and Phong Saly.

Negotiations with the royal government began after the Geneva Conference and culminated in the reunification settlement of November 1957, in which the Pathet Lao traded control of the two northern provinces for political recognition by the government.

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The Neo Lao Hak Sat (NLHS) had been set up by the Pathet Lao in 1956 as a broad front group, and in November 1957 it became--and continues to be--a legal political party, nominally headed by Souphannouvong. A small Laotian Communist party actually controls it, and this party is in turn dominated by individuals who also hold membership in the Vietnamese Lao Dong Communist party.

Following the reunification settlement of 1957, a coalition government was formed in Vientiane with two NLHS members in the cabinet, and supplementary national elections were held in May 1958 to fill the 21 seats added to the National Assembly at the time of the settlement. A right-wing government headed by Phoui Sananikone took office the following August, and the NLHS ministers were dropped from the cabinet.

A revolt of two Pathet Lao battalions in May 1959 touched off a return to guerrilla warfare. Souphannouvong and a number of other members of the NLHS were imprisoned for ten months in a Vientiane jail awaiting trial for treason until they escaped in May 1960.

Souphannouvong

Although Souphannouvong is said to be conservative, if not feudal, in political orientation, his ambition has made

him the instrument of the Vietnamese-dominated, Communist movement in Laos. He symbolizes the dual forces of continuity and change that operate simultaneously in Laotian politics: while he is at once a stock figure in a dynastic struggle, seeking power with the support of Laos' hostile neighbor Vietnam, he is also introducing new forms of political competition as head of a movement employing mass organizational techniques and subversion.

Most observers see Souphannouvong as a forceful and intelligent leader.

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he appears to have leadership qualities superior to those of most of Laos' non-Communist elite. This was evident during the experiment with a coalition government in 1957-58. Souphannouvong, one of two NLHS leaders in the cabinet, tended to dominate its meetings.

During this period Souphannouvong shifted easily from armed struggle to legal political competition. Casting himself as a devout Buddhist and defender of Lao customs and the monarchy, he won the enthusiastic approval of key elements of Vientiane's Buddhist monkhood. This was undoubtedly an asset during the May 1958 elections, in which he was returned to the National Assembly from Vientiane by an overwhelming majority.

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Souphannouvong's association with the Communist Vietnamese dates from at least 1945, when he is reported to have met Ho Chi Minh in Hanoi. Ho convinced him of the advantages of close cooperation between the Laotian and Vietnamese anti-French resistance movements. During the period 1945-49 Souphannouvong consistently, but unsuccessfully, urged a merger of the "Free Lao" and Viet Minh movements. From 1950 to 1953 his "government" was actually based in Vietnam, and he was a delegate to the first meeting of the Vietnamese Communist party in April 1951.

Souphannouvong's dependence on the support and advice of his Vietnamese mentors continues today. Despite this close relationship, reports indicate that the Viet Minh have avoided vesting full authority in him. Probably the fact that he is a royal prince and his rather eclectic approach to ideology make him suspect; in any event he is a very junior, possibly probationary, member of the Laotian Communist party.

Souphannouvong is thus a figurehead for the small group of Communists--possibly 17--who control the Laotian Communist party. Decisions are often taken without his being consulted, and there is at least circumstantial evidence that the

Pathet Lao returned to guerilla warfare tactics in the spring of 1959 without informing Souphannouvong, who at that time was in Vientiane urging "moderation" and strict observance of the ground rules of legal political competition.

There is nevertheless little prospect that Souphannouvong will break with the Communists. His political fortunes are firmly linked with the NLHS, which in turn depends on the disciplined core of Communists for guidance and material backing in order to remain an effective political instrument. In 1958, when legal political competition was possible, the NLHS found that many of its members soon bogged down in apathy and indifference, and that its non-Communist cadres were beguiled by a desire for money, status, and life in Vientiane. It is probable that in a protracted period of peaceful political competition, only the stiffening provided by the Communists would prevent the organization from slipping into the prevailing languor of Laotian life.

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Phoumi Vongvichit

Second in prominence in the NLHS is 47-year-old Phoumi Vongvichit. He too is from the upper classes and participated in the anti-French resistance. He is one of a small number of NLHS members with the education and family background--his father was a provincial governor --to move easily among the Laotian elite. Many of the other Laotian Communists have little status outside the NLHS or are semiliterate members of tribal minority groups.

Unlike Souphannouvong, Phoumi has been fully accepted by the Vietnamese Communists; he is a member of the Lao Dong party and is believed to be a ranking member of the Laotian Communist party. At the organization of the Pathet Lao "resistance government" in 1950, Phoumi was named deputy prime minister and interior minister and now is secretary general of the NLHS. He was the chief Pathet Lao negotiator with the royal government in the unification talks and demonstrated toughness and shrewdness in extracting concessions from the government.

Phoumi, as minister of cults, was the other NLHS representative in the 1957-58 coalition government. The pro-Communist sympathies of large numbers of Laos' Buddhist monks today is a legacy of Phoumi's effective use of his office. The Communists had long recognized the strategic place of Buddhism in Lao life, coining the slogan, "Who rules the pagodas rules Laos." Acceptance by the clergy has tended to reinforce their claims to be a group of crusading reformers.

Phoumi's experience makes him a likely choice to head the NLHS delegation in any negotiations with the Boun Oum government. In addition to his proven abilities as an administrator, Phoumi has an attractive political personality and was one of the NLHS candidates to win an assembly seat in the 1958 supplementary election. Phoumi is described as gentle and retiring but no stranger to violence;

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Nouhak Phoumsavan

The top-ranking Communist in Laos is Nouhak Phoumsavan. He is chairman of the Laotian Communist party and has been a member of the Vietnamese Lao Dong party and its forerunners since 1947. A truck driver and merchant by trade, he had little status in Laotian society before he came to prominence in the Pathet Lao movement. While both Phoumi and Souphannouvong are said to have had some doubts about the depth of their dependence on Hanoi, Nouhak is considered a confirmed Communist. Within the party he has had responsibility for recruitment, training, and organization.

Nouhak is one of the more militant of the Laotian Communists

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In addition to his party posts, Nouhak served as minister

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of economy and finance in the Pathet Lao "resistance government" from its founding in 1950, and he took over foreign affairs in April 1954. He has been a member of the NLHS central committee from the time of its formation. In the May 1958 supplementary elections Nouhak was elected to the National Assembly. The fact that he ran in Sam Neua Province, where NLHS influence could be expected to be strong, suggests that the Communists considered him a rather weak candidate.

Nouhak is 50 years old and has had only a primary education. He was a member of the anti-French resistance after the war, but he has apparently had only very limited experience in guerrilla warfare. He was among the NLHS members who escaped from prison in Vientiane in May 1960.

Kaysone Phomvihane

Second only to Nouhak in the Laotian Communist party, Kaysone Phomvihane is the ranking military leader in the NLHS.

Kaysone is probably in his thirties. He was a student at the University of Hanoi when he joined the "Free Lao" movement in 1945. Under the sponsorship of Souphannouvong, Kaysone took military training in North Vietnam from 1945 until 1949, when he returned to Laos to set up guerrilla bases. During this period, possibly in 1946 or 1947, he became a member of the Communist Party of Indochina and continues to hold membership in its successor, the Lao Dong.

Kaysone was minister of defense in the Pathet Lao "government" until its dissolution

in 1957 and now is a member of the NLHS central committee. He was an unsuccessful candidate for the National Assembly in 1958, but he may have been the victim of some ballot stuffing by provincial authorities. In February or March 1959, Kaysone, who had been living in Vientiane, disappeared into the "bush" just prior to a resumption of guerrilla warfare. Presumably one of the more militant of the NLHS, he is in any event one of the inner group of Communists who make the important decisions.

Singkapo Chounramany

A member of one of Laos' prominent families, Singkapo Chounramany was drawn into the Pathet Lao through his role in the "Free Lao" movement. He commanded Lao troops at Thakhek fighting the returning French in 1946, and after the defeat of the Laotian forces he took refuge in Thailand with Souphanouvong. He has continued to play primarily a military role in the Pathet Lao, although he became a member of the central committee of the NLHS when it was established in 1957.

As ranking Pathet field commander, Singkapo was scheduled to receive a commission as a colonel in the royal army after the unification settlement. At the last minute Singkapo refused the commission

His refusal was followed by the mutiny in May 1959 which touched off a resumption of guerrilla warfare.

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Non-Lao Leaders

The distinctive contribution of Souphannouvong to "revolution" in Laos is that he tapped the discontent of the country's ethnic minorities and based the Pathet Lao in inaccessible areas populated largely by tribal peoples. The early "Free Lao" resistance movement had been led by members of the Lao elite who drew their support primarily from towns concentrated in the Mekong Valley and its affluents. In searching for guerrillas to carry on his fight against the French, Souphannouvong enlisted the support of elements of the Kha and Meo hill people. Distrust and contempt for the hill tribes had long been the normal attitude of the dominant Laos, who comprise half the country's population but occupy only a small portion of its territory.

The Kha (a Lao word meaning slave) are an Indonesian people who occupied Laotian territory prior to the Lao migration of the 13th century. They are concentrated in the south but are scattered through all 12 provinces, where they occupy the mountain slopes, leaving the river valleys to the Laos. Groups of the 350,000 Khas were in revolt against the French from 1910 until 1937, when the French killed their leader Kommadam. His son Sithone, 53 years old, is today the best known Kha leader in the NLHS.

Sithone Kommadam commanded a guerrilla force in the earliest days of the Pathet Lao. Although reportedly semiliterate, Sithone was a minister in the Pathet Lao "resistance government" from 1950 until 1957, and in 1958 he was a successful NLHS candidate for a seat in the National Assembly. He now is a vice chairman of the NLHS central committee

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The Pathet Lao spokesman for Laos' 100,000 Meos is Fay Dang. Unlike the Khas, the aggressive Meos, who occupy the strategic mountaintops of northeastern Laos, have been granted a semblance of political autonomy, and a prominent Meo, Touby Lyfoung, is minister of health and social action in the Boun Oum government. Fay Dang, a personal enemy of Touby, has been only partially successful in rallying the Meos to the Pathet Lao cause. Loyal Meos have been primarily responsible for interdicting enemy communications in the Plaine des Jarres during the current fighting.

Fay Dang was a minister without portfolio in the former Pathet Lao resistance government and now is a vice chairman of the NLHS. He is not known to be a Communist and is considered without influence in the formulation of NLHS policy. A younger Meo, Lofoung, who is a Communist, probably exercises real control over the NLHS movement in Xieng Khouang Province, where most Meos are concentrated.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****THE BLOC'S FOREIGN AID PROGRAM**

Sino-Soviet bloc economic and military assistance extended to underdeveloped areas now totals some \$6 billion, about \$2 billion of which has been allocated for arms aid. Thus far, however, only about a third of the aid accepted has actually been used. Almost 60 percent of all aid commitments since the program was launched in 1955 have been made to three countries--the UAR, Indonesia, and India. During 1960--the program's biggest year thus far, with offers totaling about \$1.5 billion--assistance was provided for the first time to Cuba, Ghana, Morocco, and Tunisia. So far this year, new credits have been extended to Mali and Pakistan and negotiations have been started with Brazil and the Somali Republic.

In its present form, the bloc aid program is largely directed and financed by Moscow with close European satellite cooperation. Although Communist China has not directly challenged Soviet leadership of the program, Peiping has publicly questioned and disputed Moscow's position concerning the world Communist struggle. Peiping has objected to large-scale economic and military support for such countries as the UAR and Iraq and apparently has been upset by Soviet assistance to India and Indonesia at a time when these countries were engaged in foreign policy conflicts with China.

With the exception of aid extended largely to its neighbors, Peiping in recent years has displayed a marked tendency to assist only those countries which appear to afford a good opportunity for the development of Communism; e.g., Cuba, Guinea, and Mali. In some instances the Chinese have been quick to offer assistance and have even attempted to appear

more generous than the USSR by offering interest-free credits. In addition to providing credits to Cuba, China is supplying rice at a time when China itself is suffering from famine. In Algeria and the Congo, where for logistical and other reasons it is in no position to provide significant arms aid, Peiping has provided financial assistance to rebel regimes.

Tactics

The methods employed by the bloc when providing aid to an underdeveloped country have not changed greatly since 1955. Most assistance is in the form of credits rather than loans or grants. Bloc tactics are designed to achieve limited objectives which, in turn, are intended to result in the development of strong economic ties.

As an opening wedge, the bloc usually offers to provide the underdeveloped country with the kind of aid, economic or military, most desired and least obtainable from Western sources. In recent years the bloc has also used attractive trade offers as a means of establishing economic contact, particularly in West Africa.

An immediate benefit from the extension of economic aid is the usual favorable domestic publicity. The bloc has also managed to gain a favorable press for military aid, although Moscow has carefully played down such aid in its own propaganda and has scrupulously avoided publicity when actually delivering arms. Many recipient states are extremely proud of their acquisitions, however, and often parade bloc materiel on appropriate occasions.

More highly advertised than Western economic aid, bloc

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assistance often appears to have been implemented faster than similar Western programs. In fact, however, this is not the case. The tactical advantage held by the bloc is its ability to extend a line of credit first and then to negotiate the projects later. Bloc aid normally is officially extended after only preliminary discussions. This approach, however, has occasionally proved embarrassing; in some countries the initial excitement over bloc aid has been partially dissipated during the long periods required to draw up plans for long-publicized projects.

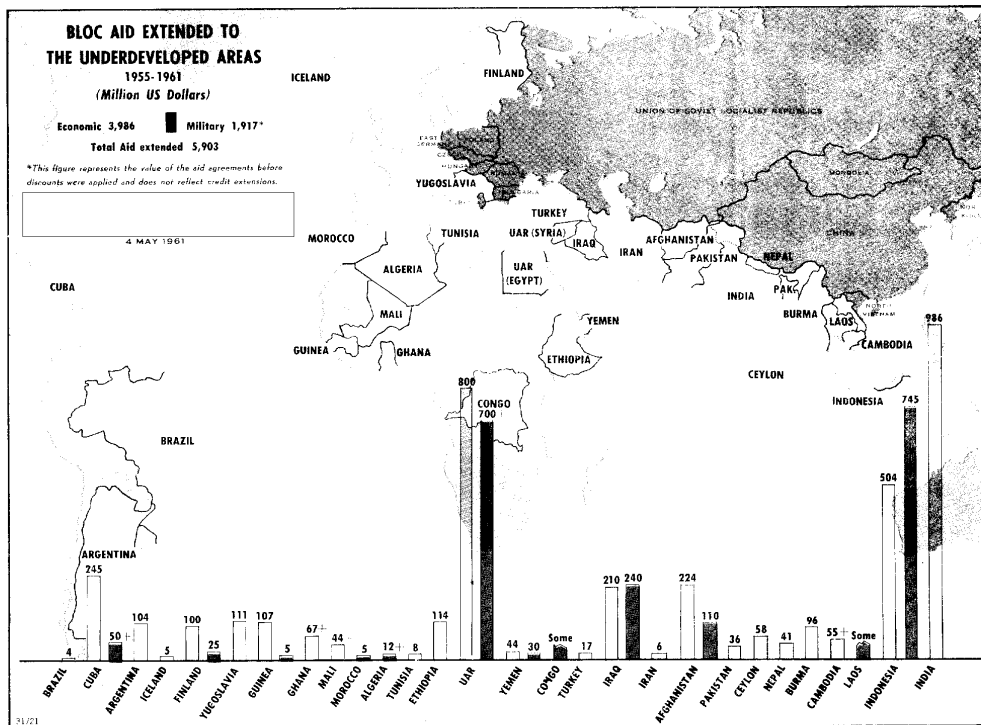
Aid projects also enable the bloc to cultivate close technical contacts in the recipient nations through training programs for native technicians. As many as 8,000 bloc technicians are now engaged in economic and military projects in

the underdeveloped countries. They apparently are competent, tend to limit their association with the local population, and rarely become involved in situations embarrassing to the bloc governments. Of even greater value is the opportunity to expose potential native professional personnel to Communist ideology. Since 1955, almost 12,000 nationals from the underdeveloped countries have had military or economic training in the bloc.

Trends

The USSR has recently appeared to be making more of an effort to increase the attraction of its aid for free world recipients. It is providing assistance basically designed to promote good will by playing on the recipient country's desire to acquire status symbols.

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Formerly, bloc civil air aid was limited largely to the occasional supply of twin-engine IL-14 transports and formal offers of TU-104 jets. In the past year, however, the USSR has emphasized the supply of high-performance IL-18 turboprop aircraft to the underdeveloped countries. Moscow has sold Ghana eight of these planes, of which five have been delivered so far; it apparently has also sold at least three to Guinea

The credit agreements under which these aircraft are being supplied call for the use of bloc crews and maintenance personnel until local nationals can be trained.

The establishment and rapid development of close economic ties with Cuba since early 1960 underscore the bloc's improved flexibility in exploiting a favorable opportunity. Virtually every bloc country has extended economic aid to Havana. The principal feature of this relationship is the speed with which the bloc acted to replace the United States as Havana's chief trading partner.

Although the bloc accounted for only 2 or 3 percent of Cuba's trade in 1959, it probably will account for more than 60 percent this year. The bloc has, for example, pledged itself to buy 4,000,000 tons of Cuba's 6,000,000 tons of sugar exports, paying 30 percent above the world market price. The USSR is providing Cuba with all--about 4,500,000 tons--of its oil imports. In addition, bloc shipments to Cuba now include foodstuffs, motor vehicles, machinery, and other goods formerly purchased in the West.

Coordination between bloc members in launching and implementing aid projects also has improved in recent years. Market research studies of recipient countries, coordinated planning for complete plant sales and installations--including subcontracting under Soviet aid credits--and coordinated planning of technical assistance now are being carried out under the direction of the bloc's Council

for Mutual Economic Assistance (CEMA). While preliminary coordination seems to have been centered on the Middle Eastern and Asian countries, more attention recently has been given to the African countries and presumably Latin America.

CEMA also has begun to coordinate bloc trade with the free world; this "team" approach should tend to strengthen the bargaining position of the bloc with respect to Western competitors in the underdeveloped areas. Communist China, however, because of its "observer status" in CEMA, tends to operate more independently in these areas.

Recent developments in West Africa and Latin American which appear to reflect such coordination indicate that offers of large-scale, long-term aid--in the form of lines of credits often covering a score of projects--are made by the USSR. The satellites seem to be charged with quickly developing trade ties through the extension of lesser and shorter term credits for small, quickly implemented projects--usually light industrial ones.

Military Aid

Since mid-1955 the bloc--mainly the USSR--has provided almost \$2 billion in arms aid to underdeveloped countries, almost 75 percent of which has been extended to the UAR and Indonesia. Iraq, Cuba, and Afghanistan also have received substantial military assistance, and bloc arms have been supplied to Morocco, Guinea, Yemen, and India. Rebel regimes in Algeria and Laos have also received military aid

Military assistance agreements can be implemented with greater speed than economic credits. In the case of Iraq in 1958, for example, bloc arms began arriving within weeks after the signing of the agreement in Moscow. Although military aid accounts for only one

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third of all bloc assistance thus far extended, it accounts for almost two thirds of all the aid provided the underdeveloped countries in terms of actual deliveries.

When providing military assistance, the bloc seeks to give the impression that it is an unlimited source of such aid, on occasion suggesting or agreeing that the recipient country take more arms than initially requested or considered necessary for "defense." The Soviet-Indonesian arms deals concluded earlier this year are indicative of Moscow's willingness to supply modern weapons to an underdeveloped country, regardless of that country's ability to utilize such materiel.

Usually the bloc is willing to provide a wide assortment of equipment--including tanks, submarines, and jet aircraft--which can be supplied at a minimum cost to itself. These arms usually are obsolescent by bloc standards and often are supplied from existing stockpiles rather than current production. Bloc personnel are provided for local training purposes, and training facilities within the bloc are made available to the recipient country's personnel. To make its arms aid more tempting, the bloc generally accepts payment in local commodities, to be delivered over a long period of time at a low rate of interest, and frequently allows sizable discounts.

The recipient country thus must rely on the bloc for ammunition, spare parts, and replacements. Although the bloc normally has been careful not to abuse this lever in its relations with the recipient countries, Moscow has on occasion made use of such dependence by implying--through

stalling tactics--that additional equipment would not be forthcoming in the quantities and speed desired unless certain concessions were granted. During 1959, for example, Moscow broadly hinted to the UAR that only limited arms aid would be provided until Cairo toned down its public denouncements of Soviet policy in the Middle East.

The USSR and its European satellites have displayed a great degree of coordination in providing military assistance. Although the USSR has been signatory to most of the arms deals, many of the weapons--especially those no longer produced in the Soviet Union--have been supplied by Czechoslovakia and Poland. Similar arrangements also exist for the training of foreign nationals in the bloc. Under arms deals negotiated by Prague and Warsaw, Moscow apparently has controlled and coordinated the arrangements and may have provided the financial backing for the credits.

Principal Recipients

The UAR continues to rank as the leading recipient of bloc aid--more than \$1.5 billion in economic and military assistance

SELECTED BLOC ARMS PROVIDED TO UNDERDEVELOPED COUNTRIES (1955-APRIL 1961)

	UAR	IRAQ	AFGHANISTAN	CUBA
AIRCRAFT				
TU-16 jet medium bombers	--	--	--	--
IL-18 jet light bombers	54	16	24	--
MIIG-21 jet fighters	--	--	--	--
MIIG-19 jet fighters	20	16	--	--
MIIG-15/17 jet fighters	182	48	57	--
Other aircraft including helicopters	70	12	25	48
LAND ARMAMENTS				
JS-2/3 heavy tanks	60	--	--	25
T-34/54 medium tanks	553	253	120	125
PT-76 amphibious light tanks	--	--	--	--
SU-100 self-propelled assault guns	124	52	Some	50
Artillery pieces	1,350	500	300	450
NAVAL VESSELS				
Cruisers	--	--	--	--
Destroyers	2	--	--	--
Submarines	9	--	--	--
Sub Chasers	--	--	--	--
Mine Sweepers	6	--	--	--
Other vessels, including MTB's	33	14	--	--

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since 1955. About \$800,000,000 of this has been allocated for economic projects. Bloc aid to the UAR has been continually expanded since the first arms agreement of 1955, despite a cooling in relations in 1959. During 1960, for example, the USSR extended an additional \$225,000,000 credit for the construction of the Aswan Dam, and aid from the European satellites was provided to both regions of the UAR. Moreover, large-scale Soviet arms deliveries--including MIG-19 jet fighters--were resumed in early 1961.

The major bloc project in the UAR is the Aswan Dam, for which Moscow has already extended credits totaling \$325,000,000. Work on the dam, allowing for normal engineering difficulties, appears to be progressing according to schedule. Indicative of the importance Moscow attaches to the successful completion of the dam are Soviet plans to construct a scale model--one eighth the size of the actual dam--near the Dneprodzerzhinsk hydroelectric station in order to prove the validity of the design.

The USSR is also involved in a large number of other projects in the UAR under a \$175,000,000 line of credit extended in 1958. Most of these projects--mainly industrial--are now under construction, and some have already been completed.

Soviet aid to the Syrian region, under a \$150,000,000 credit extended in 1957, has not kept pace with Soviet assistance to Egypt. In late 1960, however, Moscow reaffirmed its intention to implement the projects called for under this

agreement, and in recent months work has started on the Latakia-Qamishliya railroad. In addition, planning work on the Euphrates Dam has been temporarily resumed.

This aid has contributed to greatly increased trade, which has resulted in an economic entanglement Cairo may now find difficult to unravel. The bloc currently accounts for about one third of the Egyptian region's total foreign trade and about 20 percent of Syria's. Among other things, the bloc is the primary market for UAR cotton and is a major source of the UAR's oil imports.

Indonesia, now the second largest recipient of bloc aid, has received economic and military assistance amounting to \$1.25 billion. Almost two thirds of this has been provided since February 1960, most of it by Moscow. Military aid, including more than \$500,000,000 in Soviet commitments late last year, accounts for more than 60 percent of all bloc assistance thus far.

Despite the provision of more than \$350,000,000 in economic aid credits, the USSR has made little progress in implementing the key industrial projects called for under these agreements, partly because of Indonesian indecisiveness. Work is being carried out on the \$12,500,000 Asian Games Stadium near Djakarta, however, and a few comparatively small projects under European satellite credits have been completed.

Although Indonesia had already been supplied with about \$225,000,000 in bloc arms aid,

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Djakarta in late 1960 negotiated two new major arms deals with the USSR. Under these agreements, totaling about \$520,000,000, Indonesia was promised delivery of the most modern weapons the bloc has thus far agreed to provide to any of the underdeveloped countries. Despite the large numbers of jet aircraft and naval vessels received by Indonesia under previous agreements--and apparently not yet absorbed by its armed forces--Moscow, under the new deals, displayed a willingness to supply not only more equipment but also more advanced models.

\$375,000,000. Moscow has indicated that it is prepared to provide still further aid for this plan. A 1,000,000-ton steel mill at Bhilai has already been constructed under an earlier credit; during the Third Plan the USSR is scheduled to expand the mill's capacity to 2,500,000 tons.

The European satellites as a group have extended more economic aid to India than to any other underdeveloped country. In March of this year Hungary offered a \$17,000,000 credit which will raise total satellite assistance to \$140,000,000. Communist China, on the other hand, has shown no desire to provide aid to India, although Peiping has extended economic assistance to New Delhi's Asian neighbors, including Ceylon, Nepal, and Burma.

Other Major Recipients

Total bloc aid to Iraq amounts to \$450,000,000--\$240,000,000 of which is allocated for arms. After the July 1958 revolution, Moscow moved rapidly to develop close ties with the Qasim regime, and by November of that year arms shipments from the USSR began arriving in Iraq. In March 1959 the Soviet Union concluded a \$137,500,000 economic aid agreement with Baghdad. A second arms deal and an additional \$47,600,000 Soviet credit for railroad construction followed in 1960. Deliveries under this second Soviet arms agreement have included MIG-19 jet fighters, additional T-54 tanks, artillery, and motor torpedo boats.

Work on the projects listed under the first Soviet economic aid agreement apparently has progressed from the survey stage to the construction stage as originally scheduled. Soviet

In recent weeks, Communist China, whose relations with Indonesia had been somewhat strained since late 1959 because of Djakarta's moves against the Overseas Chinese, has displayed a renewed interest in providing economic assistance.

Although it ranks third among recipients of bloc aid, India is the primary beneficiary of economic assistance, having been provided with almost one billion dollars in long-term development credits since 1955. The most recent Soviet aid provided to New Delhi was a \$125,000,000 line of credit for India's Third Five-Year Plan (1961-66), for which the USSR had earlier extended

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technicians are implementing a variety of projects, ranging from a glassware factory to a small steel mill. Surveys connected with dam construction on the Tigris and Euphrates rivers are under way, and work has already begun on the new Basra-Baghdad railroad. In addition, a Czech \$33,000,000 line of credit apparently is being programmed.

Although Communist China has never extended formal economic aid to Iraq, Peiping did present gifts, including fire engines and ambulances for "civil defense" use, as a token of its support. Moreover, in 1959 Peiping imported more dates from Iraq than did any other bloc country. This placed China second to the USSR that year in total bloc trade with Baghdad.

In Cuba, Moscow moved more slowly; the first bloc aid credit was not extended to Havana until early 1960, more than a year after the revolution. Similarly, large-scale bloc arms aid to Cuba did not begin until September of that year. Nevertheless, bloc economic ties with Havana have developed rapidly since early 1960.

Aid has been provided by virtually all the members of the bloc, including a \$60,000,000 credit from Communist China. Total bloc assistance to the Castro regime now stands at nearly \$300,000,000. More than 150 separate projects are to be undertaken by the bloc over the next five years, ranging from a nail factory to a steel mill.

Bloc military aid to Cuba--estimated at from \$50,000,000 to \$100,000,000--also continues.

Since the first major arms shipment to Havana in September of 1960, most of the materiel delivered to Cuba has consisted of land armaments, although some aircraft--trainers, light transports, and helicopters--have been supplied.

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Afghanistan, one of the first free world countries to receive bloc aid, has obtained some \$300,000,000 in economic and military assistance. Most bloc economic assistance to Kabul has been allocated for basic development projects, such as road, dam, and airfield construction. In order to maintain its favorable position in Kabul, Moscow in 1959 extended grant aid for the construction of the Kushka-Herat-Kandahar road and allowed a 75-percent discount on Afghanistan's arms purchases. The bloc now accounts for about one third of Afghanistan's total foreign commerce.

African Recipients

Both the USSR and China have moved rapidly to establish strong economic ties with Guinea and Mali through the provision of economic credits and attractive trade agreements. Although initially stymied in Ghana, the USSR in mid-1960 concluded a \$40,000,000 economic aid pact with that country.

In response to this opportunity in the newly independent

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countries of West Africa, bloc officials have indicated a willingness to offer aid and a readiness to move rapidly in the field of trade--possibly because of the relatively small amounts involved. At the same time, the bloc has underlined its position of support for these countries by supplying some of them with modern, high-performance IL-18 transport planes, the first deliveries of these aircraft to non-bloc countries.

Tunisia accepted Polish economic aid in late 1960, and at the same time Morocco negotiated an agreement for Soviet MIG jet fighters. However, Moscow has been unable to induce Libya to accept two gift hospitals.

Bloc aid to the Algerian rebels continues to be largely limited to relief supplies delivered to Tunisia and Morocco, hospitalization and vocational training in the bloc, and similar displays of good will and moral support. Occasional shipments of bloc arms apparently do reach the rebels, however--two shiploads of materiel were delivered to Morocco late last year, presumably destined for Algeria. Although Communist China has indicated its preparedness to aid the rebels, this apparently has been largely limited to financial assistance--possibly as much as \$12,000,000--rather than arms.

Efforts to expand bloc influence in the Sudan have been limited to the field of foreign trade, largely because of Khartoum's reluctance to accept aid. Early this year, however, Sudan did accept a Soviet gift of five armored personnel carriers and ten jeeps.

The bloc's breakthrough in Ethiopia apparently is losing

its momentum; little has been accomplished thus far on the project called for under the Soviet and Czech aid agreements concluded with the Emperor during his visit to the bloc in the summer of 1959. The lack of progress presumably is caused in part by Ethiopian suspicions regarding bloc intentions and a general lack of cooperation.

A Soviet delegation recently visiting the Somali Republic apparently made an offer of aid which is to be negotiated in detail when the Somali prime minister visits Moscow later this year.

Although it moved quickly in the summer of 1960 to establish close relations with the Lumumba regime in the Congo, Moscow's efforts were largely negated when Lumumba was deposed and all bloc personnel were ordered to leave the country. Since then, most efforts to provide aid to the Gizenga regime in Orientale Province have been stymied by Sudan's refusal to allow the transit of goods and personnel through its territory. However, Moscow and Peiping apparently have been able to supply some financial assistance, and recent shipments of Soviet arms to Ghana may eventually be transshipped to Stanleyville.

Other Asian Recipients

A unique development in the bloc's aid program exists in Yemen, where both the USSR and Communist China have extended assistance and managed to implement projects [redacted]

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[redacted] In early April of this year the port at Al-Hudaydah, where 300 Soviet technicians have worked for almost five years, was officially opened. Work by 700 Chinese "experts"

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continues on the road from this port to Sana and probably will be completed later this year-- after three years of labor. Moreover, both Moscow and Peiping in recent months have sought to undertake additional projects, including another road and a textile mill. Military assistance, largely in the form of training, also continues.

Burma, Cambodia, Ceylon, and Nepal have all received economic aid, and in early 1961 Pakistan accepted Soviet assistance for a petroleum exploration project. Although offers have been made to Burma and Cambodia, no military assistance has yet been supplied. Except for Indonesia, Communist China accounts for almost 80 percent of the bloc aid provided in Southeast Asia, more than half in the form of grants.

Latin America

With the exception of Cuba, the bloc aid program in Latin America has had only limited success. The \$100,000,000 line of Soviet credit to Argentina, extended in 1958, has gone largely unused, and thus far bloc aid overtures to other Latin American countries--including a \$150,000,000 credit to Bolivia--have not been accepted. Nevertheless, the bloc continues to probe for opportunities, and in recent months Brazil has initiated discussions with several bloc coun-

tries concerning aid possibilities.

Outlook

Foreign aid extensions in 1960 amounted to less than one half of one percent of the estimated gross national product of all the Sino-Soviet bloc countries. The actual cost to the bloc of its aid program in financial terms since 1955 has been relatively small, as most bloc aid has been provided in the form of credits, which require repayment by the recipient. Furthermore, thus far only about one third of all bloc aid extended has actually been delivered to the underdeveloped countries, and more than 60 percent of that amount has been for military assistance, frequently supplied from existing stocks.

Nevertheless, the implementation of the aid program is progressing as rapidly as can be expected, and new aid is continually being extended. As long as it is willing, the bloc probably will be able, at a minimum, to provide aid to the underdeveloped countries at a rate comparable to that extended during 1960. Indeed, if the economies of the bloc countries continue to develop at their present high rate, the aid program may well be increased significantly over the next few years without appreciably increasing the economic burden to the bloc. [redacted]

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