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# CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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

LAOS . . . . . Page 1

Fighting has tapered off, but rebel forces continue operations against Meo guerrillas. Cease-fire talks among the Laotian parties have been unproductive to date. On 11 May the three members of the International Control Commission returned from a visit to Xieng Khouang, where they had "cooperative" talks with Souvanna Phouma and Souphanouvong. The rebel authorities probably intend to hold military activities to a level that will enable the ICC to declare that a cease-fire exists and permit the conference at Geneva to open on schedule with full participation. Three separate Laotian delegations--representing Souvanna Phouma, the Pathet Lao, and the royal government--are expected at Geneva.

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SOVIET FOREIGN POLICY DEVELOPMENTS . . . . . Page 4

In the course of his speech on 6 May at Yerevan, Khrushchev indicated that he does not intend to pursue his exploitation of events in Cuba to the point of interfering with his efforts to negotiate on such issues as disarmament and Berlin. He adopted a moderate line on Cuba and Laos and confirmed Moscow's readiness to proceed with disarmament talks with the United States in June, stressing that these discussions should not deal merely with procedural matters. Although Khrushchev mentioned Berlin only in passing, a Soviet greeting to East Germany on the anniversary of V-E Day said that the "struggle" for a peace treaty and a free-city status for West Berlin would "soon lead to positive results."

[Redacted]

CUBA . . . . . Page 5

Castro is moving to strengthen the loyalty of the armed services by the creation of a corps of instructors to emphasize "political and revolutionary awareness." No major Latin American country appears disposed to support multilateral action against the Castro regime, although most countries seem willing to participate in a meeting of OAS ambassadors on the subject. Soviet propaganda on Cuba sharply diminished in volume last week, and Moscow has continued its reserved attitude toward Castro's claim that Cuba is a "socialist" state.

[Redacted]

CONGO . . . . . Page 7

The fate of Tshombé and a possible reopening of parliament are the most immediate political issues in the Congo. The Leopoldville government's announcement on 9 May that Tshombé will be detained for an indefinite period without trial probably stemmed from concern over

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international reactions. His followers are still apprehensive over possible moves by the UN or Leopoldville to disarm Katangan forces, although the UN insists it does not intend such action.

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**FRANCE-ALGERIA . . . . . Page 9**

While the government continues its arrests of those involved in last month's military insurrection, De Gaulle now is trying to focus public attention on the prospect of an Algerian settlement. His 8 May speech, in which he said France would honor its Algerian policy, was followed shortly by an announcement that negotiations with the Algerian rebels would begin on 20 May. However, both French and rebel leaders have expressed pessimism about the possibility of reaching an early agreement.

**NEW SOVIET DECREE ON CORRUPTION AND CRIME . . . . . Page 10**

The Soviet decree of 6 May providing the death penalty for large-scale embezzlement and other "especially dangerous crimes" is the most drastic punitive measure yet adopted by the Khrushchev regime. Pro-mulgation of the law indicates that defrauding of the state is a considerably more dangerous problem than the Kremlin had realized when it launched its drive against corruption earlier this year.

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**SOVIET FOREIGN TRADE IN 1960 . . . . . Page 10**

The USSR's foreign trade in 1960 totaled about \$11.2 billion, 6.4 percent more than in 1959. The increase resulted mainly from a substantial growth in imports of industrial machinery from West European countries. The unprecedentedly large Soviet trade deficit with the West--\$330,000,000--has worsened the USSR's usually difficult balance-of-payments position and probably has been the major reason for the recent heavy sales of Soviet gold on the international market.

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**IRAN . . . . . Page 12**

The most serious demonstrations in Iran in eight years brought about the collapse of Sharif-Emani's government and the appointment of reform-minded Ali Amini as prime minister. The new cabinet contains four holdovers from the previous government, including the ministers of war and interior. Two of the new appointees have histories of association with the Tudeh (Communist) party. With parliament dissolved, Amini apparently will be able to rule by decree--subject to the Shah's approval--until new elections are held.

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**ARAB-ISRAELI TENSION . . . . . Page 13**

An increase in Arab-Israeli tension may occur in the near future. This could result from the military exercise now under way in the UAR, which has probably caused Israel to take limited military precautions. Tension could also increase if the adverse reaction in Jordan to King Husayn's marriage plans should be followed by the King's overthrow or abdication;



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**SPECIAL ARTICLES**

**NOTE:**

A series of articles on various aspects of Berlin and the two Germanys is presented here as a special issue in order to give a fuller view of the subject than the usual limitation of space would allow.

**THE POLITICAL SITUATION IN EAST AND WEST GERMANY . . . . . Page 1**

Since the founding of the Federal Republic of Germany and the German Democratic Republic (GDR) in 1949, two Germanys with radically different political structures have emerged under two strong leaders. Each claims to represent the legitimate German state. Konrad Adenauer has worked for West Germany's integration into the Western alliance; his counterpart, Walter Ulbricht, has been able to keep East Germany securely in the Communist bloc only because of the presence of the Soviet army.



**ECONOMIC CONDITIONS IN EAST AND WEST GERMANY . . . . . Page 8**

The economies of both East and West Germany are highly industrialized. Both import large amounts of raw materials, but East Germany is more dependent on its imports, especially of bituminous coal. Although industrial production has increased at about the same average rate in the two areas since 1950, West Germany has maintained a lead in labor productivity. The westward flow of emigrants has created a chronic labor shortage in East Germany, but there is also a labor shortage in West Germany, despite the influx from East Germany. The share of gross national product devoted to investment is more than 20 percent in both economies. As for living standards, the West German consumer has a greater variety of choice and generally better quality, especially in durable goods; however, the basic diet now is much the same in both areas.



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**THE POLITICAL AND ECONOMIC SITUATION IN BERLIN . . . . . Page 18**

The division of Greater Berlin in 1948 into the separate cities of East and West Berlin and their subsequent de facto integration into East Germany and West Germany respectively have not altered the four-power responsibility for Greater Berlin or the city's status in international law as an occupied area. West Berlin has made remarkable economic progress since the Communist blockade of 1948-49, but its recovery and present prosperity have been possible only with extensive US and West German financial aid. Although West Berlin has stockpiled about \$200,000,000 worth of food, fuel, and raw materials against the possibility of another blockade, it would be far more difficult with a new airlift to supply the city's booming industries, keep its workers employed, and maintain morale.

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**WESTERN POLICY ON BERLIN . . . . . Page 23**

Since the failure at Geneva in 1959 to conclude an agreement with the USSR for an "interim solution" in Berlin, West German, French, and British leaders have tended to agree that Western legal rights in Berlin are unimpeachable and that the maintenance of the status quo is the best realizable situation. The West Germans have shown the least interest in new negotiations. The British have generally been willing to explore ways of easing points of friction. During periods of Communist pressure, however, Bonn and Paris--as well as London--have shown an inclination to investigate compromises and to consider possible concessions in order to avert a showdown with the USSR.

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**SOVIET POLICY ON BERLIN AND GERMANY . . . . . Page 27**

The crisis over Berlin precipitated by Khrushchev on 10 November 1958 was the logical extension of the policies developed by Moscow since 1955 aimed at gaining Western acceptance of the permanent division of Germany and confirmation of the status quo in Eastern Europe. Khrushchev's aim has been to confront the Western powers with the dilemma of risking war to maintain their legal rights in Berlin or making concessions which would erode their position not only in Berlin but on the question of German unification. He has committed himself to finding a solution of the Berlin and German questions during 1961, and it appears that a formal demarche to renew negotiations will be made in the near future. Moscow may concentrate on an interim solution rather than press its maximum demands for a peace treaty with both German states and a "free city" in West Berlin. The main purpose of an interim solution would be to obtain formal acceptance by the West of Khrushchev's contention that the status of Berlin must be revised or at least to establish a presumption that further steps will be taken in this direction.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****LAOS**

The cease-fire discussions in Laos have so far been unproductive, but fighting has tapered off on the main fronts. The only active fighting is in the area south of the Plaine des Jarres where Kong Le - Pathet Lao forces are still conducting mopping-up operations against Meo guerrilla bases.

The chief enemy target is the base camp of Meo leader Colonel Vang Pao at Pa Dong, 20 miles southwest of Xieng Khouang; the camp has been under artillery fire for several days. Government forces are also concerned over a build-up of enemy forces along the northern and eastern approaches to Luang Prabang; the town of Muong Houn, about 50 miles west of Luang Prabang, has been abandoned by the government garrison and now is in enemy hands.

Both sides are taking advantage of the lull to redeploy their forces; enemy troops now are in a better position to threaten Luang Prabang and Vientiane, should the fighting break out again.

Although Pathet Lao officials have welcomed the arrival of the International Control Commission in Laos and have received an ICC delegation in Xieng Khouang, they have so far kept the commission at arms length, stressing that its function can be fulfilled only after the three Laotian parties have agreed on all questions concerning a cease-fire. ICC officials accompanying the government delegation to the site near the Nam Lik for talks on 9 May were snubbed by the enemy delegation, which claimed to have no instructions for dealing with the ICC.

On 11 May the three ICC representatives returned to Vientiane from Xieng Khouang where they had "cooperative" talks with Souvanna Phouma and Souphannouvong. It appears likely that the rebel authorities will hold military activities to a level that will enable the ICC to declare that a cease-fire exists, thus permitting the Geneva Conference to open on schedule on 12 May with full participation.

Meanwhile, bloc propaganda portraying Phoumi's forces as in repeated violation of the proclaimed cease-fire could be used to justify a renewed Pathet Lao offensive if the Communists feel such action warranted by international developments.

Expanded Communist activity in southern Laos in recent weeks has alarmed the government in Saigon, which regards it as a direct threat to South Vietnam's northern defenses. An emergency cabinet meeting on 2 May apparently determined that South Vietnam must take emergency countermeasures as result of the overrunning of the Tchepone area along Route 9 by Pathet Lao and North Vietnamese forces. A South Vietnamese infantry battalion has been moved to the Laotian border where Route 9 enters South Vietnam, and on 4 May a 150-man special forces group, in civilian clothes, penetrated about six miles into Laos to aid Laotian government troops withdrawing eastward from Tchepone toward the border.

In Saigon, Foreign Minister Mau has told Ambassador Nolting that the Diem government considers it vital that the Boun Oum government be seated as the

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official Laotian delegation at Geneva.

Vientiane maintains that the primary objective of the Geneva Conference should be to work out an internationally guaranteed status of neutrality for Laos. It holds that the formation of a government of national unity is an internal affair. Separate delegations representing the Souvanna Phouma "government" and the Neo Lao Hak Sat--the Pathet Lao's political arm--already are en route to Geneva; a Vientiane delegation was expected to leave by 11 May.

Meanwhile, Souvanna Phouma has returned to Xieng Khouang from Phnom Penh, apparently to play a more direct role in negotiations with the Boun Oum government. He may eventually turn up in Geneva. [redacted]

in Phnom Penh, Souvanna expounded on the desirability of forming a government of national unity before the conference. He maintained that any government he headed must include Pathet Lao representatives, but expressed confidence that he could keep key ministries out of "leftist" hands. Souvanna stated in a conversation with Ambassador Trimble that he would have to contend with a well-organized, highly trained leadership core of "perhaps 200" Communists in the Pathet Lao, but insisted that he could impose his will.

Indications are that Sihanouk would like some face-saving pleas from other participants in the Geneva Conference that would permit him to join them gracefully. However, he has sent a negative reply to

Chou En-lai's note of 6 May urging him to reconsider his decision not to attend. Sihanouk told Chou that the Cambodian delegation would attend "only upon the unlikely request" of King Savang, or upon the request of Souvanna, Souphanouvong, and Boun Oum, "who together effectively represent the Laotian people." It seems likely, however, that Sihanouk will finally agree to attend.

Chou's appeal to Sihanouk that the conference "cannot be held without participation of your royal highness" was coupled with an attack on the US--"continually trying to sabotage the convening of such a conference." On 8 May, the day Chou's letter to Sihanouk was published in Phnom Penh, the Chinese Communist premier also implied concern lest Peiping be denied its first major diplomatic confrontation with the United States since 1954. Speaking at a Peiping banquet for the Geneva delegations of North Vietnam, the Pathet Lao, and Souvanna's "lawful government," Chou emphasized Peiping's support for the conference and complained, "But no one really knows whether the US will in fact participate."

The Hanoi Foreign Ministry has charged that US aircraft violated North Vietnamese air space four times on 6 May. The alleged overflights are reported to have occurred in the southernmost provinces of Ha Tinh and Quang Binh. Hanoi's protest was similar to one issued by Peiping on an alleged violation of Chinese Communist air space near Laos on 2 May. The Communists, however, have not attempted to build a propaganda campaign around these charges.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****SOVIET FOREIGN POLICY DEVELOPMENTS**

In his speech in Yerevan on 6 May, Khrushchev dealt publicly with foreign policy for the first time in several months and took a relatively moderate line on Cuba and Laos. While proclaiming that the position of the USSR in the international arena was "excellent," he acknowledged that the world situation had deteriorated and remained "rather tense." He blamed this on events in Cuba and Laos and on the failure of the United States to live up to earlier expectations of a "wiser approach to the settlement of international questions."

Khrushchev asserted, however, that the USSR was still making efforts to improve relations with the Western countries, including the United States. He characterized such efforts as "most important for the settlement of vital international problems." This attitude, his emphasis on disarmament and peaceful coexistence, and the minimal attention given to Berlin suggest that Khrushchev's aim was to provide some sign that the USSR will not allow its exploitation of events in Cuba to jeopardize efforts to negotiate on broader East-West questions, such as disarmament and Berlin.

While probably hoping to confirm that scheduled US-Soviet talks on disarmament would not be affected, Khrushchev also served notice that the USSR will seek to expand the agenda to include substantive aspects; these discussions, he said, should not be reduced to a mere formality dealing only with procedural questions. He declared that "the peoples are waiting for the disarmament talks to come out of the stage of endless discussion" and expect "disarma-

ment under control" rather than control over armament. The USSR, he stated, was preparing for the talks with the US with "complete seriousness."

Last March, Gromyko agreed that the composition of a new negotiating forum would be discussed with the US during June and July but also indicated that the USSR was interested in obtaining some statement of principles to govern any future disarmament negotiations. Khrushchev's remarks suggest that the USSR sees substantive negotiations with the US as the main aspect of the bilateral talks.

Khrushchev made only a passing reference to Berlin, listing it along with disarmament as a problem which obstructs the "normalization" of relations. In the Soviet message of congratulations to the East Germans on the anniversary of V-E Day, however, Khrushchev predicted that the "struggle" for a peace treaty and the creation of a free city in West Berlin would "soon lead to positive results."

In his speech, Khrushchev avoided any direct reference to the President and blamed the landings in Cuba on "aggressive forces" in the US. His restraint in not prolonging his sharp exploitation of the Cuban affair was also reflected in recent Soviet press treatment of US policy. The Soviet press has used a number of articles by American journalists in order to suggest that a general reappraisal of US policy is under way.

In addition to republishing columns by Walter Lippmann, Moscow on 5 May reprinted excerpts from the Kansas City Star's interview with Cyrus Eaton, who was quoted as saying that he

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still "believed" in President Kennedy and that the "Cuban defeat" should be blamed on "agents and diplomats" who kept the United States badly informed. Since the Soviet press has often described Eaton as a "realistic capitalist" and a staunch advocate of peaceful coexistence, the publication of his remarks was probably intended to create the impression that there is still a prospect for improving East-West relations.

Pravda on 7 May also published on its front page the telegram from Khrushchev to the President congratulating the US on the manned space flight. Last week, when Pravda was bitterly criticizing the US, Khrushchev's reply to the President's congratulations on the Soviet space flight was not published.

Khrushchev's failure to mention the nuclear test ban negotiations in his speech reflects the gradual Soviet effort to down-grade the importance of this issue. Although Khrushchev referred to previous Soviet proposals for partial disarmament, he did not elaborate or mention the test ban as an initial step toward disarmament. At the conference session on 8 May, the Soviet delegate said that Ambassador Dean's statements reviewing the results of his consultations in Washington "disappointed us very, very much." He claimed that the Soviet delegation had expected the US to return to Geneva with agreement to Soviet compromise proposals on the outstanding questions.

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**CUBA**

The Castro regime is apparently increasing its efforts to ensure the loyalty of its armed forces and improve their organization and efficiency. In an address on 7 May to the 1,000 prospective members of a new corps of "revolutionary instructors," Castro said that "political and revolutionary awareness" is "the most important thing" in the new armed forces. He referred to Havana as the primary target of a possible invasion by "US troops," and declared that combat units must be prepared and fortifications made "impregnable" so that the Cuban capital could be defended "in the same manner in which Soviet soldiers defended Leningrad and Stalingrad" in World War II.

The government is rapidly implementing its announced decisions to expel "counterrevolutionary" foreign clergy and to nationalize all private schools. The Cuban radio and press report that some 300 Roman Catholic priests and nuns will leave the island shortly on a Spanish passenger ship, and many more of Cuba's estimated 500 Spanish-born priests are reported preparing to leave. According to a Havana radio report on 5 May, many private schools in Oriente Province have already been taken over, and others are "under the immediate vigilance of the militia."

While no further changes have been made in the economic structure, there are new

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indications that the government intends to reduce and eventually eliminate the small private holdings of those Cuban businessmen who have thus far been permitted to continue operating. Castro said on May Day that the revolution would "coexist" with such enterprises, but on 4 May the Cuban Communist newspaper Hoy warned that "socialism will not be complete until not only the exploitation of one man by another, but the possibility of this exploitation, is eliminated." Small businessmen "can and must" collaborate with the revolution in its present stage, the paper added, but "tomorrow they must gradually integrate themselves into the socialist system."

The volume of unfavorable Latin American comment on Castro's definition of his regime as "socialist" continues to grow. None of the major Latin American countries, however, appears willing to support immediate anti-Castro action by the American republics, although several governments--like the conservative Prado regime in Peru--have consistently appeared ready to countenance unilateral anti-Castro action by another country. A fairly widespread willingness to consent to a meeting of ambassadors to the Organization of American States (OAS) for discussion of the Cuban problem may indicate a desire to delay action until a general Latin American consensus develops on the problem.

Colombian Government memorandum of 5 May delivered to the US Embassy in Bogota proposed that an OAS foreign ministers'

meeting be convoked to define and list specific actions which --if they were to occur in the future--could serve as absolute identification of Cuba as a Communist country and at the same time be construed as aggression. The meeting, according to the embassy's interpretation of the plan, would also designate sanctions which could be automatically applied in the event of such aggression without the necessity of OAS consultations. Such a procedure, the Colombians apparently believe, would reduce the possibility of a serious split among OAS members--a situation considered likely if vigorous action against Castro were considered on the basis of his regime's past actions.

The volume of Soviet propaganda on Cuba diminished sharply last week, and Khrushchev's speeches on 6 and 7 May took a generally moderate line on US-Cuban relations. Khrushchev said that although the "aggression against Cuba" has exacerbated the international situation, the USSR "would like to look optimistically upon the further development of events" in Cuba; he avoided any direct references to President Kennedy and did not repeat his previous promise to give Cuba "all necessary assistance" to repel attacks. The Soviet leaders apparently viewed the 17 April landings as a situation that offered obvious advantages for short-term exploitation, but not at the cost of jeopardizing higher priority aims in the USSR's relations with the US.

Moscow maintains its circumspect attitude toward Castro's

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claim that Cuba has entered the "era of socialist construction." The USSR is apparently reluctant to repudiate Castro's claim but unwilling to assume the obligations that would follow from embracing his regime as a full-fledged member of the bloc. In a speech on 7 May, Khrushchev attributed US hostility to Cuba to the fact that "Cuba has declared that it has entered the path of constructing socialism," but he stopped short of identifying Cuba as a member of the "socialist camp." Soviet propaganda portrays Cuba not as a Communist state but as the forerunner of the "profound revolutionary process which all of Latin America now is undergoing."

The ideological and practical problems that Castro's proclamation of a socialist state have created for the USSR were illustrated by the remarks of the counselor of the Soviet Embassy in Vienna to an American official on 8 May. The Soviet diplomat expressed regret that Castro had taken this step because this "imposes a far greater obligation on us than we en-

visaged." He added, "Now we are committed to the protection of Cuba to a far greater degree than we intended."

In talks with a US journalist, Soviet diplomats in Washington rejected the idea that Cuba might be taken into the Warsaw Pact, pointing out that the pact is composed exclusively of European states. They also noted that Castro has not created a "classless society" and added, "Why antagonize the United States?"

Although the Soviet Government probably will move to increase economic and military assistance to Castro, it does not appear likely that Khrushchev will attempt to convert Cuba into a Soviet military outpost. The establishment of Soviet military bases in Cuba, in Moscow's view, would hand the US a pretext for direct intervention to overthrow the Castro regime. In his letter of 22 April to President Kennedy, Khrushchev said, "We do not have any bases in Cuba, and we do not intend to establish any."

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**CONGO**

The political scene in the Congo was dominated this week by problems resulting from Tshombé's arrest at Coquilhatville. His initial detention on 28 April was inspired by a general desire to remove a divisive influence from the conference; subsequently, however, his detention has proved an embarrassment to the conferees, and deliberations have come to a virtual stand-

still while his fate has been discussed.

Early statements by Leopoldville spokesmen indicated that Tshombé would be tried for treason, on charges ranging from the execution of Lumuba to issuance of a separate Katangan currency. The announcement by the Leopoldville government on 9 May that Tshombé will be detained indefinitely without trial probably stemmed from concern

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about anticipated international reactions to any trial.

UN officials, following Tshombé's incarceration, indicated that they had no plans to intervene on his behalf. The most outspoken support for Tshombé came from the former French Congo, where President Youlou temporarily suspended ferry service to Leopoldville in protest and closed the Brazzaville airport to UN aircraft.

The new Belgian Government, through Foreign Minister Spaak, has indicated its willingness to strengthen the Leopoldville government at Tshombé's expense and to cooperate with the UN in securing a withdrawal of Belgian "political advisers" from the Congo. Spaak has also endorsed a withdrawal of Belgian military advisers, but not so rapidly as to disrupt the Congolese armed forces and threaten a new breakdown of discipline.

The Belgians continue disturbed over the alleged failure of their NATO allies to understand and support the Belgian position in the Congo. At the NATO ministerial meeting from 8 to 10 May, Spaak voiced concern over the possibility of action by UN and Leopoldville forces against Katanga. He said that such questions should be discussed in NATO and that consultation should not be confined to fact-finding. He warned that otherwise Belgium would have to seek a firmer basis for consultation in some other interna-

tional organization--presumably a reference to the six-nation Common Market.

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The action against Tshombé at Coquilhatville has coincided with indications that political discussions between the Leopoldville and Stanleyville regimes may be in the offing.

Economic problems facing the Stanleyville regime may make Gizenga receptive to talks concerning a reunited Congo. Although expanded trade, together with the lifting by the Leopoldville government of its economic blockade, have alleviated serious shortages in Orientale Province, the situation is still serious.

Tshombé's arrest and possible trial have stimulated new apprehension in Katanga, where UN troops have sought to arrest a number of Tshombé's white mercenaries. This action has stirred fears that the UN plans to disarm all of Tshombé's forces, although the UN insists that it does not intend to do so. Katangan Interior Minister Munongo, who since Tshombé's detention has been disposed to cooperate with the UN, has said he will forcibly resist any UN or Leopoldville "invasion."

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

## FRANCE-ALGERIA

The French Government is continuing its arrests of suspected participants in last month's attempted coup and its preparations for their trial. De Gaulle referred to these measures in his 8 May television speech and then went on to focus public attention on the prospect of an Algerian settlement. In this connection, he urged the European settlers to give up their old ideas and "absurd dreams" of holding Algeria in a colonial status. He also reiterated his assurances that France would not abandon them when Algeria becomes independent.

Although early reports indicate that De Gaulle's speech was well received in many quarters in Algeria, tension remains high. Extraordinary security measures and a systematic search for weapons are still in effect, but these have not prevented circulation of inflammatory pamphlets calling for "death to all Gaullists" or the recurrence of bombings in Algiers and Oran. On 9 May a large Moslem group armed with hatchets reportedly staged a pro-FLN demonstration in the town of Marengo.

In his speech De Gaulle said that France would honor its Algerian policy already "chosen by the government, adopted by the parliament, and approved by the nation," and he stressed that it now is up to the Algerian population to make its decision. He renewed his offer to negotiate the future of Algeria with "Algerian elements, primarily those that are fighting us," and also repeated his admonition that, if such talks

failed, he was prepared to move ahead without regard for the rebels.

De Gaulle spoke against a background of frequent reports that the rebel Provisional Algerian Government (PAG) was ready to begin negotiations. On 10 May both sides publicly announced that a first meeting would be held in Evian on 20 May. Working sessions are expected to commence on 23 May. Most observers--including French officials--stress that the negotiations are likely to be long and difficult. The talks are expected to cover such complex issues as guarantees for the settlers, control of the Sahara, and the future status of French military bases in the area.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****NEW SOVIET DECREE ON CORRUPTION AND CRIME**

Moscow's current drive against corruption of all kinds has reached a new high with the promulgation of a catch-all decree providing the death penalty for large-scale embezzlement and other "especially dangerous crimes." The law is the harshest punitive measure yet adopted by the Khrushchev regime. Heretofore, capital punishment has been applicable only in cases of treason, espionage, sabotage, and premeditated murder.

The decree is aimed primarily at embezzlers of state property. The Kremlin evidently uncovered widespread embezzlement during its investigations of managerial "hoodwinkers" who pad their production reports.

In an angrily worded commentary on the decree, Soviet Prosecutor General Rudenko revealed in Izvestia that numerous cases had "recently come to light" in which the state had been bilked of hundreds of thousands of rubles. Asserting that current punishment for such offenses is insufficient, he demanded that "these plunderers be mercilessly punished, to the extent of the firing squad." Habitual criminals and counter-

feiters may also be executed under the new law.

The decree contains broad hints that all is not well in the Soviet prison camp system, despite frequent propaganda claims that "places of confinement" have become model institutions of rehabilitation. Execution now may be ordered for prisoners who "terrorize other inmates" or organize into gangs for "attacking camp administrations." According to Rudenko, those who "upset" normal prison life are no longer eligible for parole and may have their sentences extended by two to three years.

During the heyday of Stalin and Beria, life in Soviet forced labor camps was often dominated by gangs of hardened criminals, called "blatnoy," who made their own lives easier by terrorizing other convicts and sometimes even the camp administrators. Some recent reports have claimed that the blatnoy continue to exist.

The Soviet secret police (KGB) have the responsibility for investigating "especially dangerous crimes" against the state.

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**SOVIET FOREIGN TRADE IN 1960**

According to recently published data, the USSR's foreign trade in 1960 totaled about \$11.2 billion, or 6.4 percent more than in 1959. The increase resulted mainly from a substantial \$592,000,000 rise in trade with non-Communist countries. There was only a slight increase in trade with the other members of the Sino-Soviet bloc; a rise

in trade with Eastern Europe apparently was almost completely offset by a decline in trade with Communist China.

Soviet imports from the West rose \$475,000,000, chiefly because of accelerated purchases of capital goods. Exports to the West, however, registered a gain of only \$117,000,000, resulting

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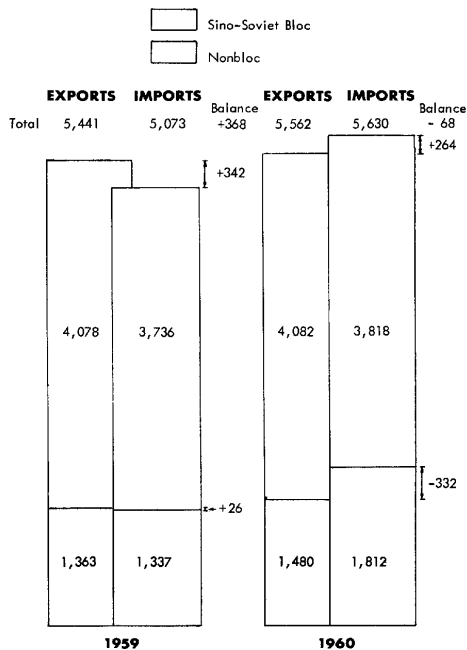
**CURRENT INTELLIGENCE WEEKLY SUMMARY**

in an unprecedented \$330,000-000 trade deficit with the non-Communist world. This undoubtedly aggravated the USSR's normally hard-pressed balance-of-payments position in its trade with the West.

The USSR's foreign exchange reserves are not believed to be large. In the past, it has relied on foreign exchange earned from trade with Britain and other industrial countries in the West to help finance raw material purchases from overseas sterling areas and other underdeveloped areas with which it has usually incurred large trade deficits. The recent figures provide no breakdown of Soviet trade with countries outside the bloc. However, if it is assumed that the 1960 deficit with underdeveloped countries was no larger than in 1959, there would have been a deficit of about \$150,000,000 with the industrial West, compared with a surplus of \$99,000,000 in 1959. Thus a significant source of foreign exchange for the USSR was presumably eliminated in 1960.

Deficits in the Soviet balance of payments normally require sales of gold in international bullion markets. Such sales have approximated \$200,000,000 annually in recent years and reached a high of about \$300,000,000 in 1959. During 1960, however, despite its mounting trade deficit, the USSR sold only \$125,000,000 in gold and then abruptly withdrew from the market during the international "gold rush" in the fall. The deficit was apparently financed through long-term credits from several West European countries, short-term borrowing on the European money market, and foreign exchange holdings obtained from the exceptionally large gold sales in 1959.

**USSR FOREIGN TRADE, 1959-1960**  
(MILLIONS OF US DOLLARS)



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Gold sales apparently were resumed in March 1961; according to the London Times, sales in March and April totaled some \$120,000,000. This resumption--the timing of which was motivated by the stabilization of the gold market after it became clear that the United States was not going to devalue the dollar--reflects the continuing high level of Soviet demand for Western machinery and equipment. Moscow's apparent inability to finance an increased volume of imports from the industrial West through a commensurate increase in exports and by means of long-term Western credits probably explains the large volume of gold sales and may presage sales in excess of the record high of 1959.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

## IRAN

The three days of demonstrations in Tehran which led to the collapse of Sharif-Emami's government on 4 May constituted the most extensive manifestation of popular dissatisfaction in Iran since 1953. Similar protests led to the voiding of the results of the rigged elections last August; student demonstrations in January and February protested the rigging of the second elections.

Starting as a public protest by teachers over low wages, last week's demonstrations at one point involved an estimated 30,000 people. The fervor of the demonstrations increased when one of them was killed by a police officer, since imprisoned. The crowd's demand for the resignation of the government was reinforced by attacks in the Majlis (parliament) on the prime minister.

The Shah's choice of the reform-minded Ali Amini to head the government reflects the seriousness with which the monarch viewed his situation.

Amini has been recognized as an opponent of the Shah since he was recalled as ambassador to the United States in 1958 under suspicion of being involved in a plot against the regime. The alleged leader of the plot, former G-2 General Qarani, served two years in prison for "exceeding his authority," but Amini's role in the case is not clear.

Amini claims to have demanded and received from the Shah a free hand to run the government, choose cabinet ministers, and reorganize the government. Nevertheless, at the insistence of the Shah, Amini compromised by agreeing to retain Minister of War General Ali Asghar Naqdi and Minister of the Interior General Amir-Azizi. However, the two probably were personally acceptable to Amini in any case. Minister of Foreign Affairs Hossein Qods-Nakhai and Minister of Commerce Ali Asghar Pur-Homayun were also retained.

The new cabinet selections appear to reflect an attempt by Amini to maintain a balance between the political left and right. Two of the new ministers have histories of association with the Tudeh (Communist) party. All have held relatively minor positions in the government or have served in the Majlis.

The key to Amini's success will be his relationship with the Shah, who may revert to his old maneuvers of playing his officials against each other. In such circumstances, Amini would have the choice of resigning or of giving in to the Shah and becoming another figurehead.

The Shah's decree of 9 May dissolving parliament and calling for elections under a new electoral law was issued despite denials by Amini as late as that same day that such a move would be taken. If Amini is in fact able to rule by decree, as suggested in the press, he exercises more power than any prime minister since Mossadeq. He could thus circumvent the constitutional provision that new elections must start within a month after parliament is dissolved, and he would also have a free hand in implementing his financial and economic reform programs and rooting out corruption. However, any laws passed by decree will be subject to ratification when parliament again meets.

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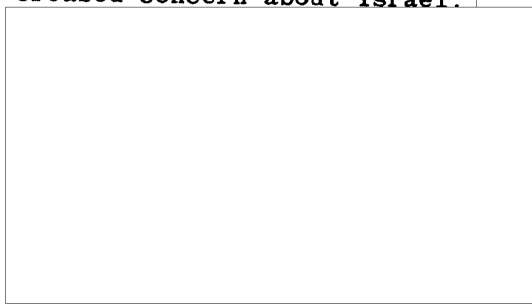
**CURRENT INTELLIGENCE WEEKLY SUMMARY**

**ARAB-ISRAELI TENSION**

An abrupt increase in Arab-Israeli tension may result from either of two disparate developments in the Middle East. One is a military exercise which now is under way in the UAR. Although the locale and magnitude of the exercise are unclear, it may involve UAR forces in Syria as well as Egypt.

The Israelis, whose military intelligence on the UAR has always been excellent, presumably are well informed about the UAR exercise and probably have instituted precautionary alerts among key Israeli units. With the state of military readiness stepped up to some extent on both sides, there is increased danger that a minor incident would lead to serious consequences.

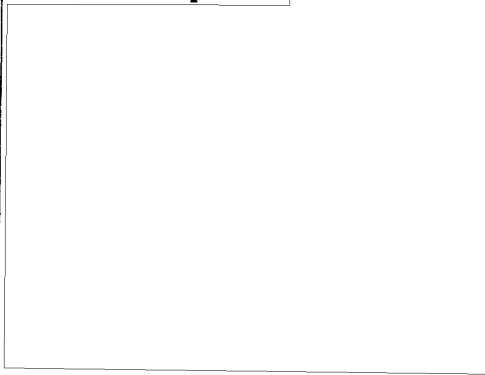
The Arab states as a whole have recently manifested increased concern about Israel.



In Jordan, meanwhile, a second potentially disruptive situation has developed. King Husayn's announcement on 1 May of his engagement to an English girl has caused an almost universally adverse and indignant reaction among Jordanians. Efforts by Jordanian cabinet members and

other high-level officials to persuade the King to change his mind have been unsuccessful, and it has been officially announced that the wedding will take place about 25 May. Should most cabinet members continue to press their opposition to the marriage, or should the King become convinced the Jordanian people are solidly against it, he might abdicate--a possibility he reportedly has already raised.

Husayn thus has presented his opponents inside and outside Jordan with a new issue to exploit.



As yet, the UAR has undertaken no major propaganda campaign against Husayn. The King, apparently eager to bolster his sagging popularity, has announced his receipt of a "brotherly" reply to the second of his conciliatory letters to Nasir. Nasir has endorsed Husayn's suggestion that a meeting be held between the two leaders.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****SPECIAL ARTICLES****THE POLITICAL SITUATION IN EAST AND WEST GERMANY**

Since the founding of the Federal Republic of Germany and the German Democratic Republic (GDR) in 1949, two Germanys with radically different political structures have emerged under two strong leaders. Each claims to represent the legitimate German state. Konrad Adenauer has worked for West Germany's integration into the Western Alliance; his counterpart, Walter Ulbricht, has been able to keep East Germany securely in the Communist bloc only because of the presence of the Soviet army.

**Leadership**

Ulbricht, after long years of residence in the USSR and prolonged service to Soviet causes, is totally committed to Moscow. His continued rule, hated as it is by the East German populace, is dependent on strong Soviet support. He has shifted from "soft" to "hard" approaches as Soviet policy and East German internal interests required, but he prefers authoritarian methods, leans toward "dogmatic" interpretations of Communist ideology, and, by training and character, is a "sectarian." These tendencies have led him to make several major politico-economic errors--notably the all-out collectivization campaign of 1960 which again set off mass flights of East Germans to West Berlin after the flow had shown signs of steady diminution.

In earlier years, Ulbricht's hard-line propensities were balanced by a group of Westernized and more realistic leaders, such as Premier Otto Grotewohl, Foreign Trade Minister Heinrich Rau, and Karl Schirdewan, formerly the second-ranking party leader. Rau now is dead, Grotewohl is in virtual retirement,

and Schirdewan is in disgrace. The Ulbricht henchmen who replaced them are, for the most part, Soviet trained and as harsh and authoritarian as Ulbricht himself. Ulbricht appears to be impatient with Soviet temporizing on the Berlin issue but has had to defer to Khrushchev's desire for an abatement of tension.

Like Ulbricht in East Germany, Adenauer has become the symbol of West Germany. His policies have been guided by a firm determination to see the Bonn republic closely tied to the West, by his thorough opposition to Communism, and by his consistent attempts to break down national barriers in Western Europe and bring the European states into closer cooperation.

Under Adenauer, West Germany's development in the past twelve years has been marked by stability and moderation. A "slightly authoritarian democracy" in the view of a British observer, the Federal Republic has been protected from the threat of political extremism by the firm leadership of Adenauer and by a spectacular economic recovery.

Although in September 1949 Adenauer was elected chancellor by the Bundestag by only one vote--his own--there never has been a serious threat to unseat him, and his three cabinets have been relatively stable. Most of his ministers have been willing to bend to his often autocratic rule. Only a few--like Defense Minister Strauss and Economics Minister Erhard--have emerged into front rank.

Adenauer, still forceful and shrewd at 85, has run not only his cabinet but also his party, the Christian Democratic

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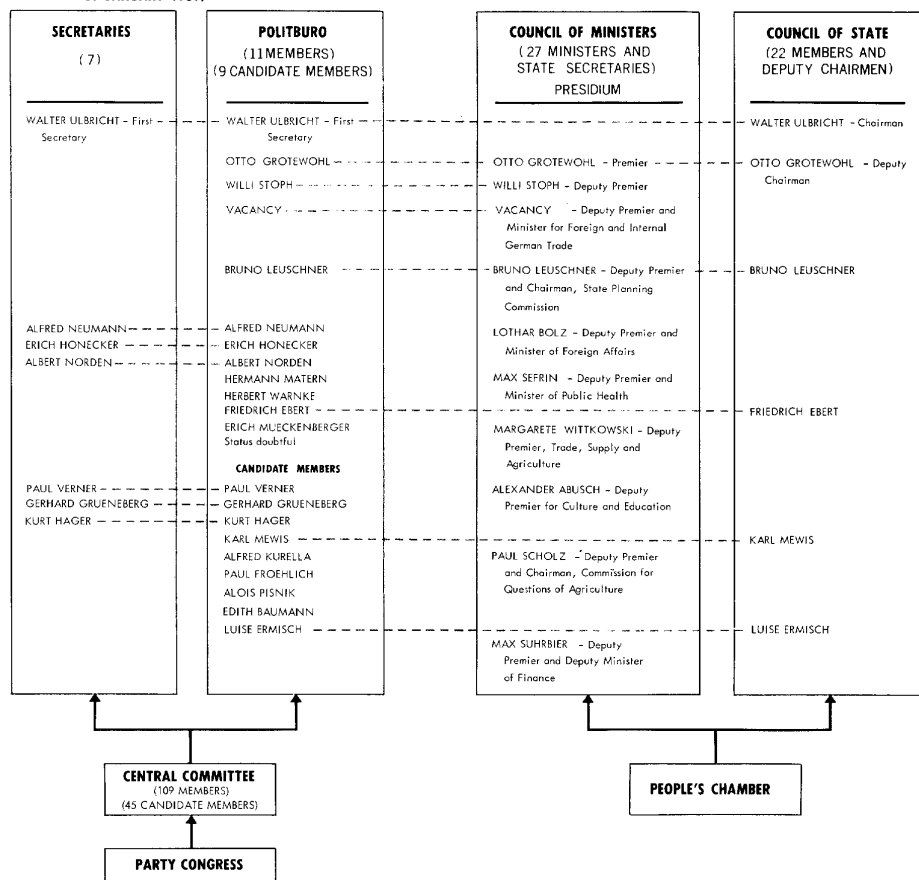
**CURRENT INTELLIGENCE WEEKLY SUMMARY**

**EAST GERMANY  
PARTY AND GOVERNMENT ORGANIZATION  
MARCH 1961**

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**PARTY\*** (APPROXIMATELY 1,500,000 MEMBERS AS OF JANUARY 1961)

**GOVERNMENT\*\***



\* SED - SOCIALIST UNITY PARTY

\*\* GERMAN DEMOCRATIC REPUBLIC

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ARROWS INDICATE THEORETICAL DIRECTION OF AUTHORITY.

Union (CDU), with a stern discipline that carries over into the deliberations of the Bundestag.

East German Party and State

Since the Soviet Union formalized its control of the Soviet zone by establishing the GDR, the Ulbricht regime has "socialized" and centralized most aspects of East German life, partly to ensure its own control and partly to eradicate remaining ties with West Germany.

The Communists in 1952 abolished the historic states (Laender) and divided East Germany into fourteen administrative districts (Bezirke) based on urban and geographical configurations. They emasculated the 1949 constitution which had established parliamentary forms and guaranteed human rights. By the "decentralization" of 1958, they reduced the power of the central governmental apparatus and correspondingly increased the importance of their Socialist Unity party (SED), while concentrating economic power in

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

the State Planning Commission, directly responsible to Ulbricht. Other countervailing forces such as the collaborating political parties and the independent judiciary were debased and brought under control, while church influence was systematically undermined.

Ulbricht dominates both the party and state apparatus in his dual capacity as SED first secretary and chairman of the Council of State. Under his supervision the SED politburo and the central committee secretaries formulate policies, appoint key personnel, and oversee the execution of their directives, while the obedient People's Chamber, completely controlled by the SED, enacts party directives into law.

A bureaucracy estimated at more than 200,000 party and government officials of high or medium levels and thousands of minor officials, teachers, and other functionaries administers the affairs of the GDR. Local government is organized on a descending level of district, county, and community councils, in theory responsible for formulating and executing policies for their own areas but in practice directed by the SED, the State Planning Office, and the governmental agencies.

To oversee this bureaucracy and control the restive East German populace, the regime has built up a security system on the Soviet model directly subordinate to the SED central committee's security department. The Ministry of Interior has approximately 35,000 frontier police, among other uniformed forces, whose main purpose is to prevent flights to the West.

## GROUND FORCES IN EAST GERMANY

	MILITARY FORCES	SECURITY TROOPS
SOVIET	over 300,000	5,500
EAST GERMAN	75,000	53,500

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The dreaded Ministry for State Security (MfS) has established an elaborate network of informers believed to number at least 100,000 persons responsive to the direction of some 20,000 MfS officers. Local party units also serve as an informers' network, reporting to the central committee on public morale and behavior.

West German States and Parties

In West Germany, on the other hand, the power of the central government is limited by the powers and functions of ten states (Laender) comprising the federation, each with a government and elected legislature of its own. Their functions largely complement those of the central government, in which their interests are guarded by the upper house (Bundesrat), and they, rather than Bonn, execute federal laws in their area; they have exclusive jurisdiction in key fields such as education. In addition, the states are largely autonomous financially, mainly through the direct collection of most taxes.

While state politics have been progressively overshadowed by national issues, the states--as well as local governments--do provide a reservoir of political leaders for the national scene, and the states' minister-presidents are able to exert considerable influence on the central government.

Within this framework, the West German political parties remain effective, moving toward moderation and away from extremism. There has been a great strengthening of the major parties at the expense of the splinter--and often noisily nationalist--parties. Whereas in 1949 ten parties were represented in the Bundestag, today there are four, and next fall there may be only three. The two largest parties, the CDU and the Social Democratic party (SPD), have won increasingly large shares of the vote, and the Free Democratic party (FDP) trails as a weak third.

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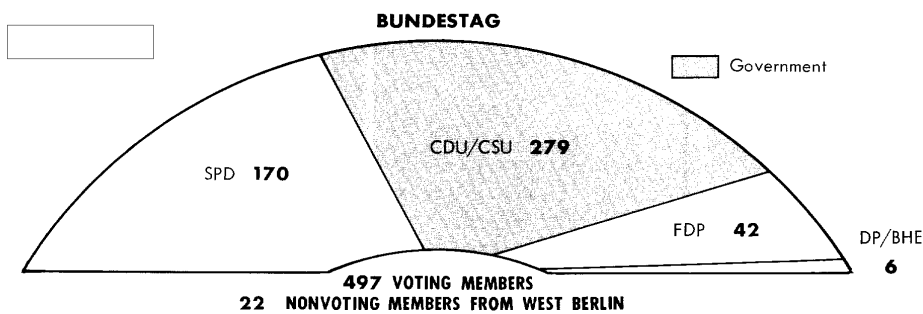
**CURRENT INTELLIGENCE WEEKLY SUMMARY**

One observer notes that the West German voter wants "consistency, predictability, and respectability." This has benefited the CDU in winning the vital independent vote.

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**WEST GERMAN PARLIAMENT**

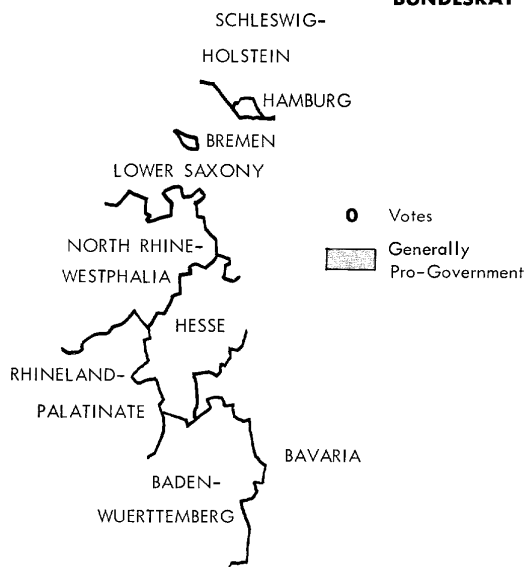


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- CDU Christian Democratic Union
- SPD Social Democratic Party
- FDP Free Democratic Party
- CSU Christian Social Union, the CDU's Bavarian affiliate
- DPS German Party of the Saar, the FDP's affiliate in that state
- DP/BHE All-German Party, formed on 16 April 1961 from the former German Party (Deutsche Partei) and the All-German Bloc.

**BUNDESRAT**



3	HAMBURG	SPD-FDP
3	BREMEN	SPD-FDP
4	HESSE	SPD-DP/BHE
5	LOWER SAXONY	SPD-FDP DP/BHE
5	NORTH RHINE-WESTPHALIA	CDU
5	BAVARIA	CSU-FDP-DP/BHE
5	BADEN-WUERTTEMBERG	CDU-FDP-DP/BHE
4	RHINELAND-PALATINATE	CDU-FDP
4	SCHLESWIG-HOLSTEIN	CDU-FDP
3	SAAR	CDU-DPS
4*	WEST BERLIN	SPD-CDU

\* Nonvoting

The BUNDESRAT is made up of delegations from each of the West German states plus a nonvoting delegation of four members from West Berlin. Each delegation must vote as a bloc as directed by the state government; most states are governed by coalitions. The size of the delegation is set by the federal constitution on the basis of population.

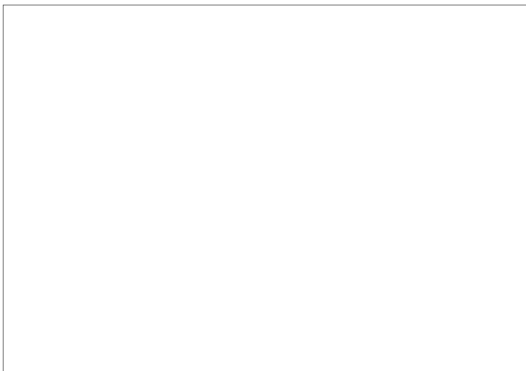
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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

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The East German People

Popular resistance in East Germany--the regime's major problem--appears to be at a low ebb. Potential leaders, notably professional men and intellectuals, have fled to the West or are in prison. The bitter memory of the Soviet repression of the 17 June 1953 uprising in East Germany and of the Hungarian revolution in 1956 has discouraged any thought of trying again.

Passive resistance and the ability to flee to West Berlin impose some checks on the regime. Ulbricht is well aware of the dilemma this poses: if he reverts to harsh policies to strengthen his control, the refugee flow will rise sharply; if he is successful in gaining Khrushchev's support for a move to close off the West Berlin escape hatch, popular tensions in East Germany might well rise to the explosion point, provided the international situation gave some prospect of successful defiance of the regime.

Reunification

The East German leaders periodically voice a desire for German reunification, but their actions make clear that they are actually intent on achieving Western recognition of the GDR as a legitimate German state. The regime has long publicized the view that "peaceful coexistence with West German militarism is impossible." Ulbricht suddenly reversed this

view last December on his return from the Moscow Communist conference, declaring instead that the GDR would have to coexist with West Germany for a long time.

Adenauer has always adhered to the practical principle that German reunification is out of the question as an immediate political goal, and that it is in the long run feasible only if West Germany provides a strong and stable Western base on which to build a new, unified Germany.

He has strongly resisted the idea of recognition of the GDR regime, stressing instead the right of the East German people to self-determination through free elections. Under the "Hallstein doctrine"--refusing diplomatic relations with any countries, except the USSR, 25X1 which recognize the GDR--he has effectively countered East German attempts to gain prestige through recognition by nonbloc countries. Nevertheless Adenauer has

considered the possibility of extending de facto recognition if this could achieve an effective status quo agreement on Berlin.

East-West Contacts

In recent months, the East German regime has sought to increase contacts with West Germans in hopes of enlisting support for "all-German" neutralism. Simultaneously, East German officials intensified their efforts to travel to West Germany to conduct political activities, in a series of provocations designed to show that Bonn was barring East Germans from West Germany.

SED leaders have also intensified their divisive tactics against the West German Social Democratic party, in an effort--thus far notably unsuccessful--to split the rank and file from their leaders and "capture" the party for neutralism, if not for Communism. The SED also continues to campaign for Bonn's legalization

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

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of the German Communist party (KPD)--outlawed in 1956--and eventual merger of the KPD and left-wing elements of the SPD, as was done in East Germany in 1946 to form the SED. Because of its desire to split the SPD while supporting the KPD, the SED leaders have avoided endorsing third parties in West Germany--a policy not always palatable to fellow-traveling leaders in the Federal Republic who would not be averse to support from East Germany.

Bonn, on the other hand, has tried to limit contacts with East Germany to those technical-level meetings required to maintain normal interzonal activities--such as transportation and communications. Some Bonn officials, notably Interior Minister Schroeder, have succeeded in cutting down contacts between the two Germanys, particularly with political parties and sports groups.

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Succession Problems

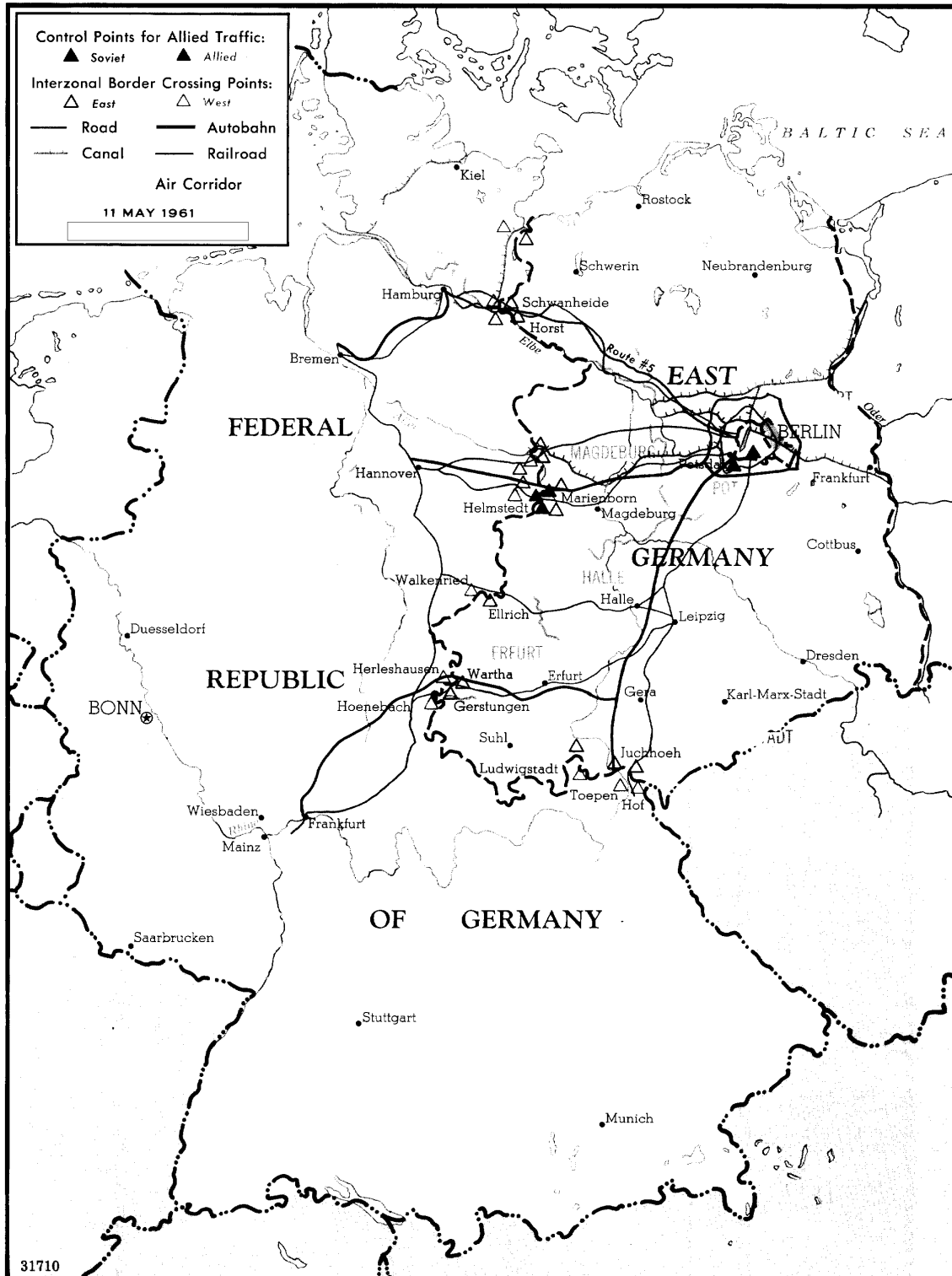
Ulbricht has no obvious successor. Only once has he designated an acting party first secretary--Karl Schirdewan, whom he purged in 1958 for opposing his policies. Among possible contenders for party leadership are Alfred Neumann, who handles party cadre matters; Erich Honecker, Moscow-trained party security chief; and Paul Verner, East Berlin's party boss. Members of the older party leadership are dying; while the 67-year-old Ulbricht appears to be in excellent health, his death in the near future would cause serious dislocations in the regime.

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**CURRENT INTELLIGENCE WEEKLY SUMMARY**



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**CURRENT INTELLIGENCE WEEKLY SUMMARY**

**ECONOMIC CONDITIONS IN EAST AND WEST GERMANY**

The areas of present East and West Germany were already heavily industrialized before World War II, and about to the same extent. West Germany had a large iron and steel industry based on natural resources which East Germany lacked, and East Germany was the more efficient agricultural producer.

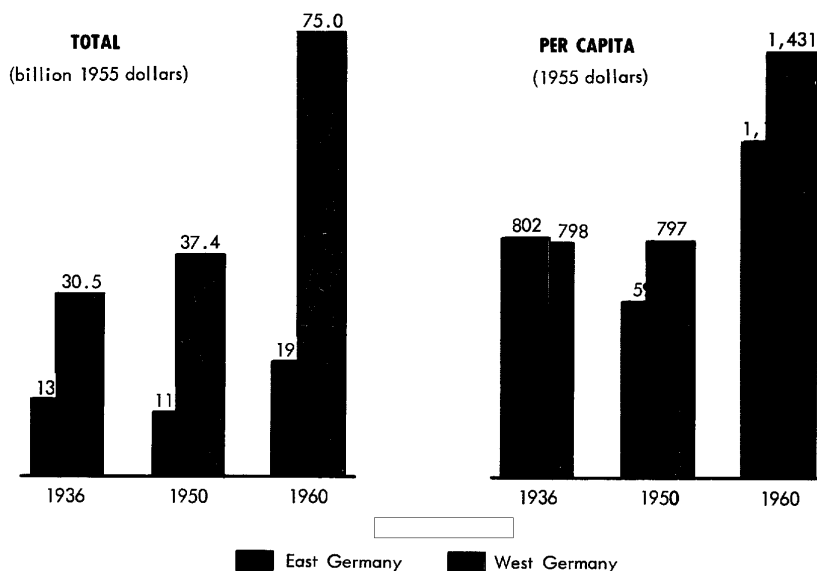
The East German economy recovered more slowly from the effects of World War II. Gross national product (GNP) reached the 1939 level by 1951 in West Germany, but only by 1957 in East Germany. East German GNP per capita is still only about four fifths of that of West Germany.

East German industry, smaller and more dependent on imported raw materials, was af-

ected more by the postwar partition. This disadvantage was intensified by the contrasting occupation policies of the USSR and the Western powers. The contrast between the low level of foreign trade permitted by the autarkic institutions of the Soviet bloc and the high level encouraged by the free world tended to perpetuate the difference in efficiency between the two economies.

The dissimilarity of environment would alone be enough to account for the marked lag in East German postwar recovery and growth. In addition, however, economic efficiency in East Germany--especially in agriculture--was depressed by politically motivated policies and by the rigidity of economic planning and administration.

**GROSS NATIONAL PRODUCT**



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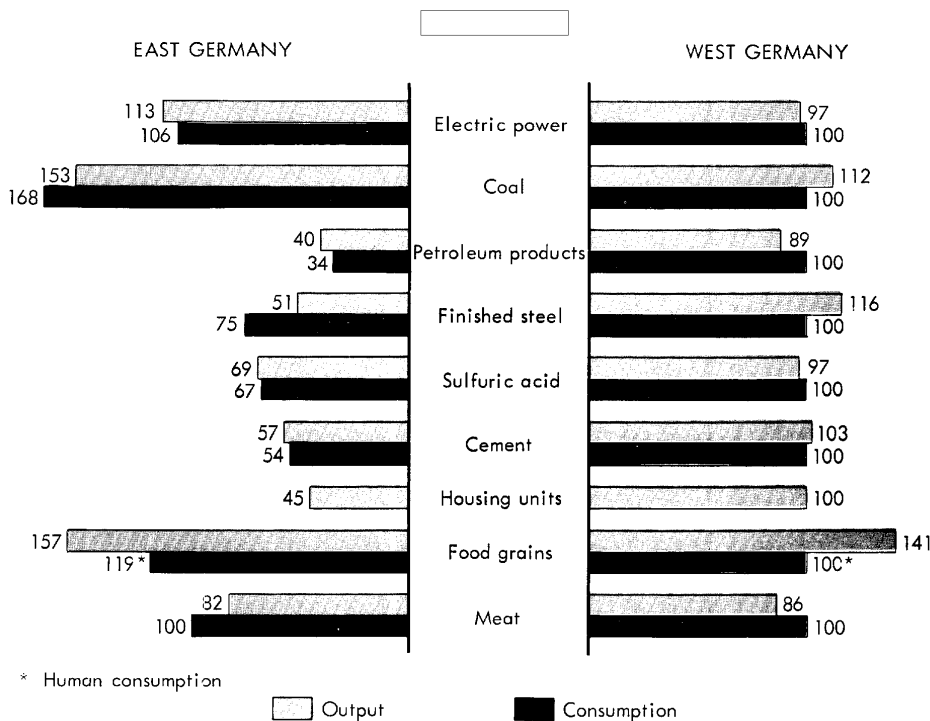
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CURRENT INTELLIGENCE WEEKLY SUMMARY

PER CAPITA OUTPUT AND CONSUMPTION OF SELECTED COMMODITIES, 1959

WEST GERMAN CONSUMPTION - 100

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East Germany's objective is to "overtake and surpass" West Germany in production per worker and consumption per capita by 1965--a goal well beyond the capabilities of its economy. Plans have already been modified to take account of lags in production, foreign trade, and investment in 1960. A general revision of the Seven-Year Plan (1959-65) may become necessary.

Resources

Both East and West Germany depend heavily on imported agri-

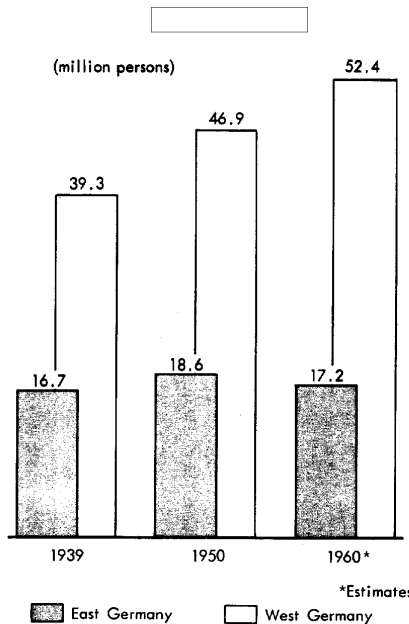
cultural products. West Germany has considerable iron ore and abundant bituminous coal, including coking coal, all of which East Germany must import in large amounts, along with iron and steel, to supplement domestic output. The most important East German mineral resources are brown coal and uranium. East German deliveries of uranium ore and concentrates to the USSR, which have been running at about 5,000 metric tons of recoverable uranium metal per year, represent about 30 percent of total Soviet bloc output.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

## POPULATION

Population and Manpower

Before World War II, population was divided between present East Germany (including East Berlin) and present West Germany approximately in proportion to area. The influx of refugees from Eastern Europe immediately after World War II added to the population of both areas. Since the late 1940s, however, the East German population has declined, while that of West Germany has continued to increase rapidly, largely because of the uninterrupted emigration from East to West Germany.

More than 3,000,000 people went from East to West Germany

during 1949-60, and only about 650,000 went in the opposite direction. The westward flow diminished sharply in 1958, after the enactment of an East German law forbidding "flight from the republic," but rose again in 1960 to almost 200,000 because of the collectivization of agriculture and the growing fear that the border would be closed. Emigration in the first quarter of 1961 continued at about the same rate as in 1960.

The emigrants have included every element of the East German population, but proportionately there have been more from managerial and professional groups and fewer peasants. The westward flow is the result mainly of encroachment by the East German regime on the personal and property rights of individuals, the intrusion of the party into economic affairs and private life, and the drabness and inconvenience of existence under Communist rule. The prosperity of West Germany has also been influential, although the contrast between economic conditions in East and West Germany has become less sharp.

In both East and West Germany there has been a significant increase in the proportion of older age groups in the population since 1950, and the proportion is somewhat greater in East Germany because the average age of the emigrants has been less than that of the population as a whole. An insufficient supply of labor has become a deterrent to economic expansion in both areas, although more so in East Germany, where employment has declined.

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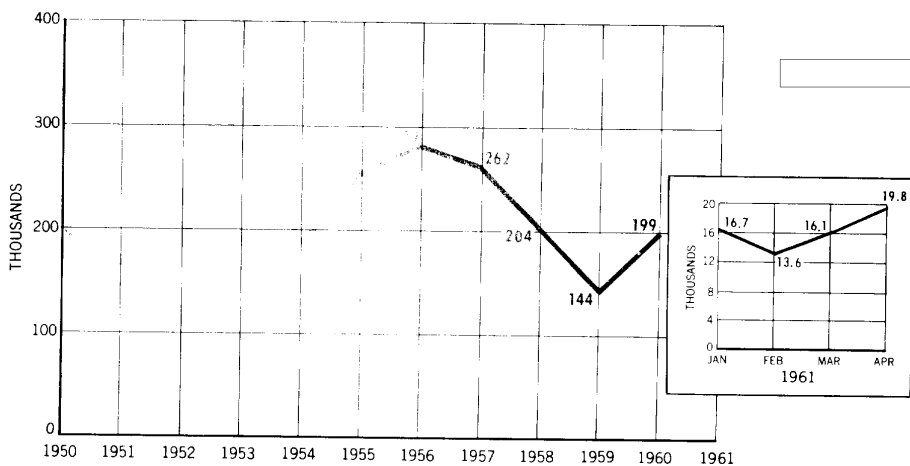
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**CURRENT INTELLIGENCE WEEKLY SUMMARY**

**EAST GERMAN REFUGEES TO WEST GERMANY AND WEST BERLIN**

Note: Figures include only those entering through normal West German refugee channels.

**YEARLY TOTALS**

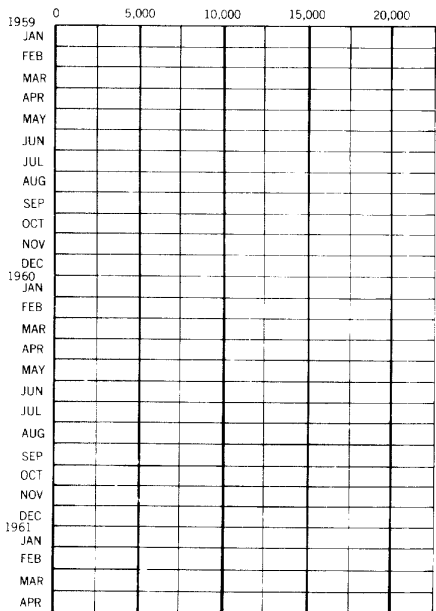


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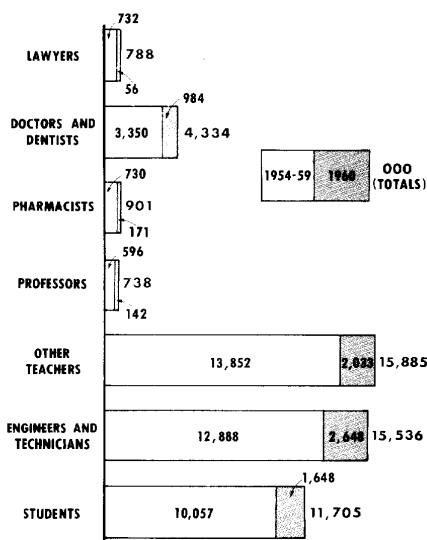
**MONTHLY BREAKDOWN**



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**PROFESSIONAL CLASS**



DATA FROM DIE WELT, HAMBURG, 2 MARCH 1961

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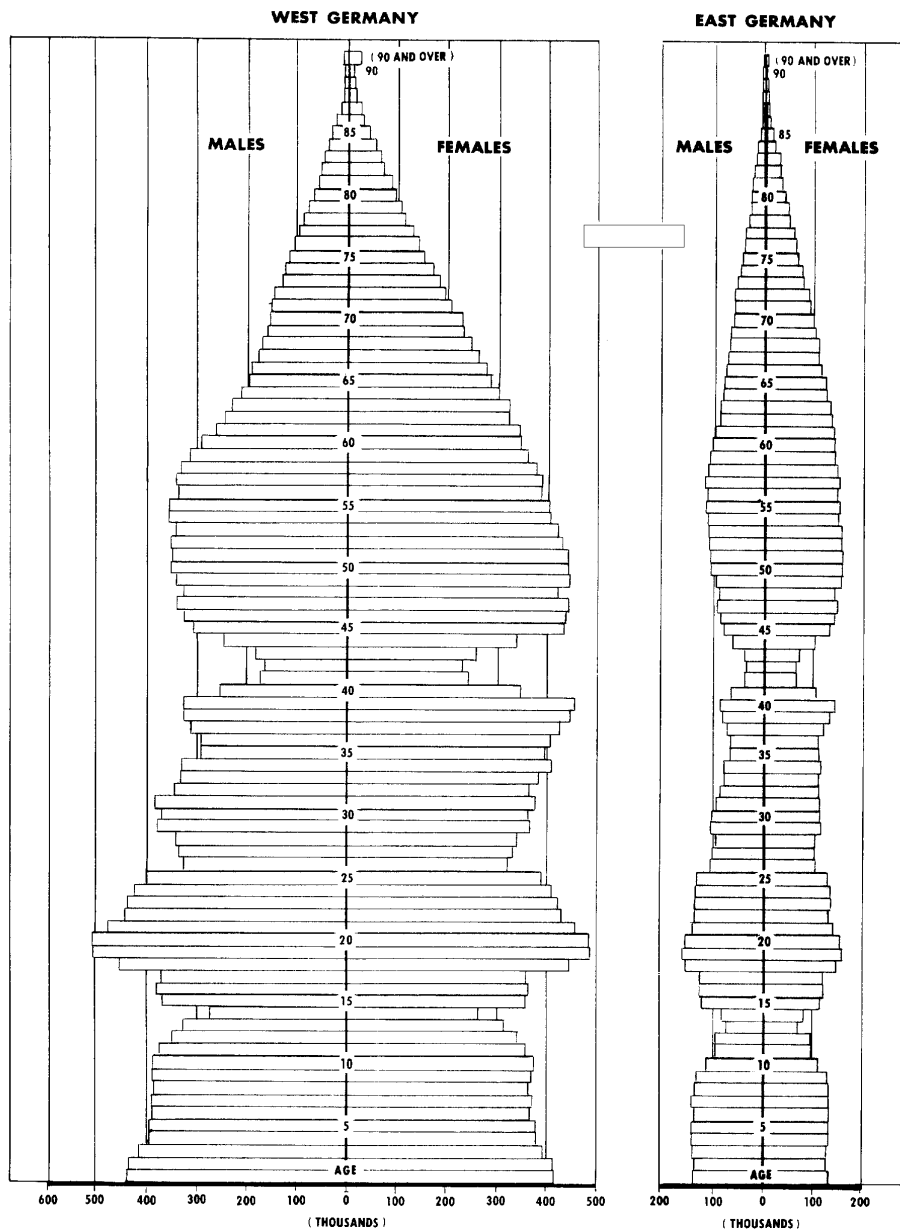
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**CURRENT INTELLIGENCE WEEKLY SUMMARY**

**AGE STRUCTURE OF POPULATION AT END OF 1958**



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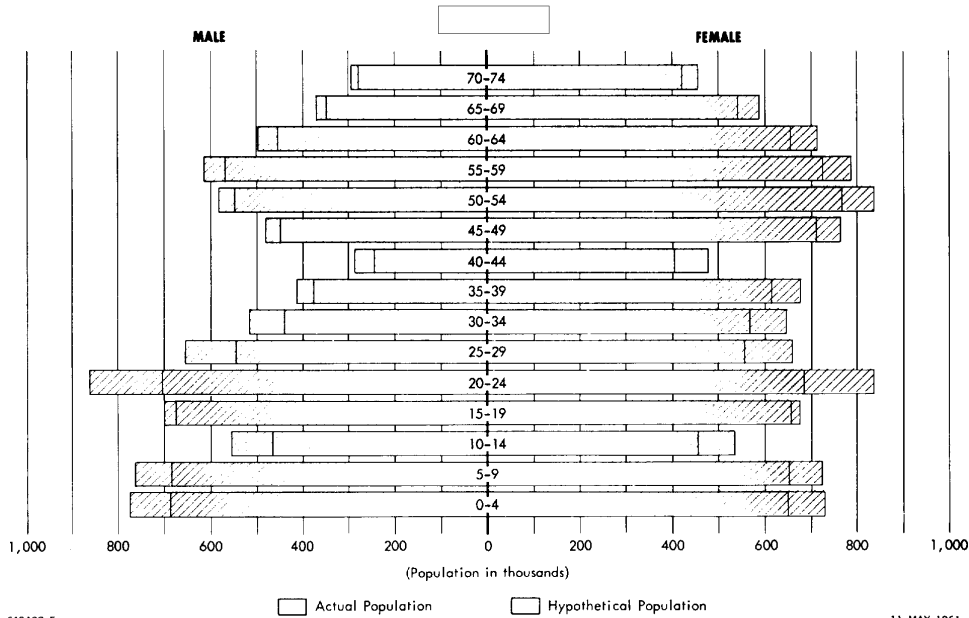
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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

**EAST GERMANY'S POPULATION STRUCTURE FOR 1960, COMPARING ACTUAL POPULATION AND HYPOTHETICAL POPULATION ASSUMING NO MIGRATION AFTER 1950**  
(USING ACTUAL FERTILITY AND MORTALITY RATES FOR THE PERIOD)



If emigration from East Germany were to continue at the 1960 rate, the total decline since 1958 in the population of working age would be about 1,400,000 by 1965. This decline would require further cuts in production goals, although not necessarily in goals for output per worker and consumption per capita.

### Production

East and West Germany are much alike in economic structure. Industry and industrial handicrafts account for well over half the national product. West Germany has a substantial advantage in output per worker--about 50 percent greater in in-

dustry and 25 percent greater in the economy as a whole.

East Germany has been able to eliminate only part of the very large lag in output per worker in industry that developed after World War II. Since 1950, industrial production in East and West Germany has increased at about the same average rate, although the growth of industrial employment has been somewhat faster in West Germany.

As a result of the partition of Germany and the autarkic organization and outlook of the Soviet bloc, East Germany was forced to develop some relatively inefficient basic industries and could not make efficient use of

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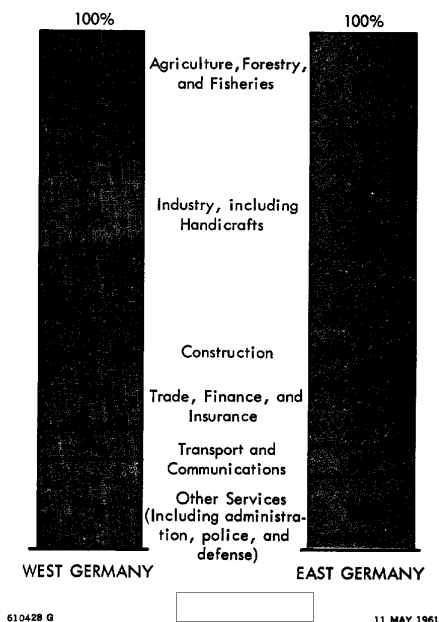
**CURRENT INTELLIGENCE WEEKLY SUMMARY**

its highly specialized plant and its experience in manufacturing. The solution of this basic problem was made more costly by Soviet exploitation, the limitations of centralized planning and distribution, the inexperience of the East German top management, and the hostility of plant managers and engineers, many of whom have defected.

Before World War II, output per worker in West German agriculture was about two thirds that in East Germany, but the differences in the postwar period have been much less. Output per agricultural worker in West Germany was slightly greater than that in East Germany during the early 1950s, but now is probably slightly less.

East German agriculture has been depressed by the breaking

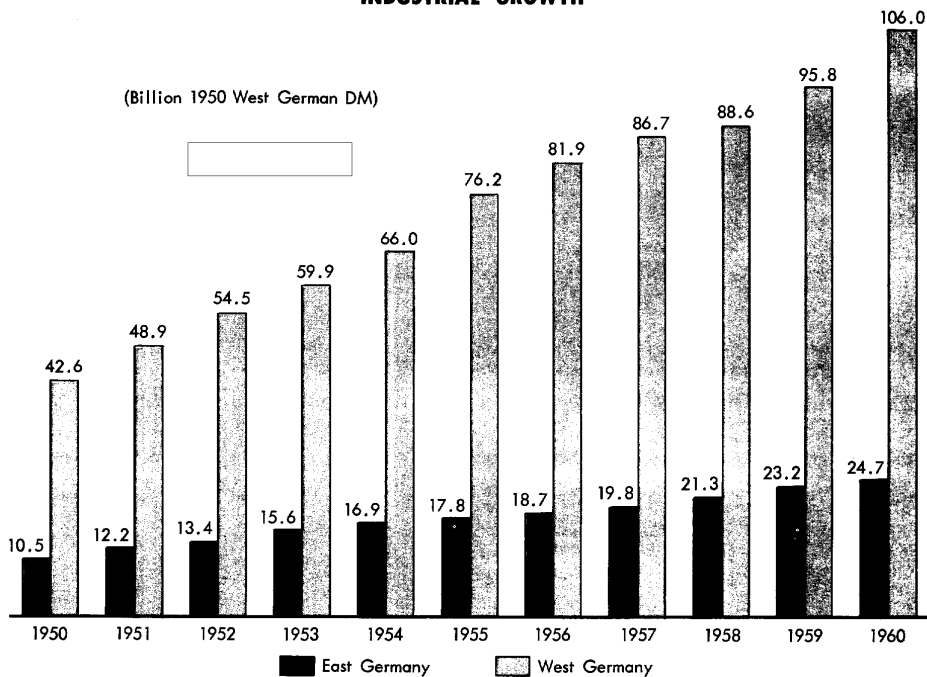
**DISTRIBUTION OF EMPLOYMENT, 1958**



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**INDUSTRIAL GROWTH**

(Billion 1950 West German DM)



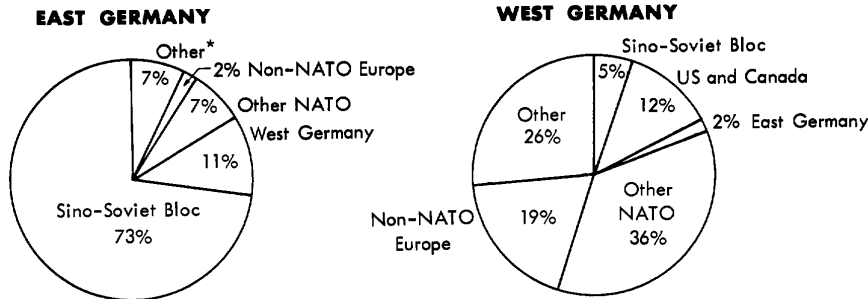
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**CURRENT INTELLIGENCE WEEKLY SUMMARY**

**GEOGRAPHIC DISTRIBUTION OF FOREIGN TRADE, 1958**



\* US and Canada negligible

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up of the great estates, the shift from field crops to animal husbandry, state control of most agricultural machinery, and pressure on the peasant to accept collectivization.

Foreign Trade

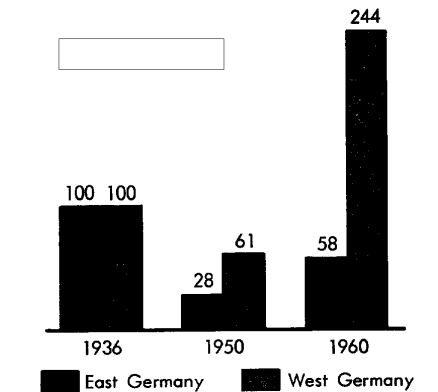
East Germany has not been able to replace the markets and raw-materials sources it had in the West before World War II. West Germany, on the other hand, had ample opportunities to expand foreign trade in free world markets. By 1960, total West German external trade (including interzonal trade) was almost 2.5 times the 1936 level (taking account of trade between the regions at that time), whereas East German external trade had declined by one third.

Dependence on trade with West Germany has been a subject of concern for the Ulbricht regime since Bonn last September denounced the 1961 interzonal trade agreement. Although a new agreement was reached, the East

German Government has continued to study ways of minimizing its dependence. Apparently, however, neither East Germany nor the other bloc countries are prepared to incur any significant costs for this purpose, and it is unlikely that dependence will be greatly reduced in the near future.

Interzonal trade accounts for about 11 percent of East

**INDEX OF FOREIGN TRADE**



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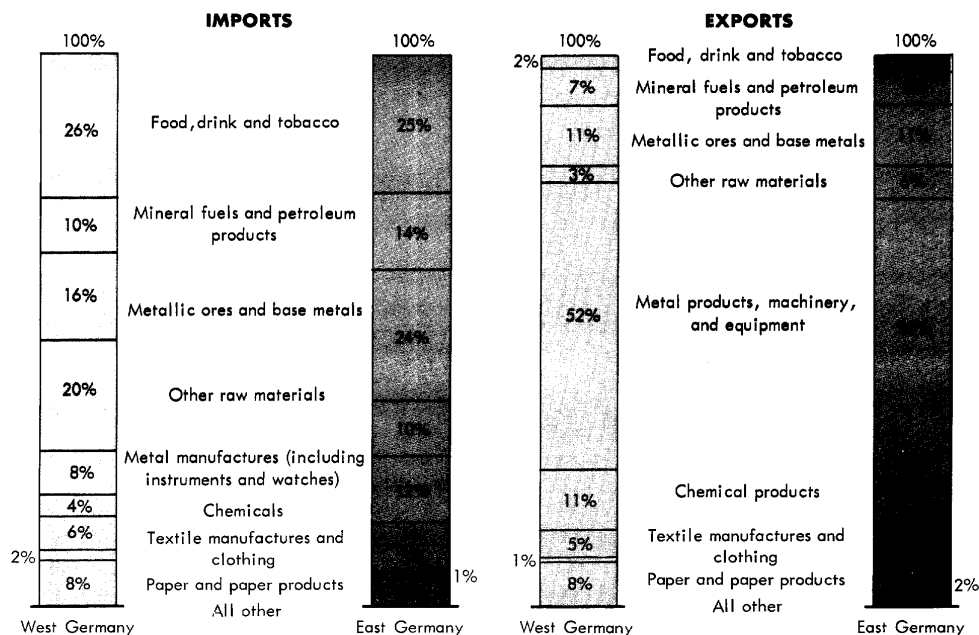
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**CURRENT INTELLIGENCE WEEKLY SUMMARY**

**FOREIGN TRADE COMPOSITION, 1958**



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Germany's external trade. It imports from West Germany a significant fraction of its total supply of rolled steel (7 percent in 1959) and coking coal, together with numerous chemicals and valuable machinery and equipment.

Although interruption of interzonal trade would not cause a general disruption of the East German economy, a complete cessation of trade with West Germany and the rest of the NATO countries might result in a net loss equivalent to about two thirds the normal increase in industrial output for perhaps six months, with a rapidly diminishing effect thereafter. The magnitude and duration of

the effect would depend greatly on the speed and extent to which the other bloc countries readjusted their plans.

Consumption and Investment

Differences in the supply of consumer goods and services between East and West Germany, striking in the early 1950s, are much less evident today. Consumption per capita in East Germany has risen from about 60 percent to nearly 75 percent of that in West Germany, and the difference has become less important as the absolute level of consumption passed the pre-war level.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

The diets now are basically similar, but there is less diversification in East Germany. The amount of meat, cereal, fats, and sugar in the two diets is about the same, but in East Germany the grades of meat are inferior and the supply of tropical fruits, coffee, and cocoa is much smaller.

The West German consumer still has an advantage in the supply, quality, and style of shoes and textiles, although this advantage has declined. Consumer durables, many of which have become commonplace in West Germany, are still scarce in East Germany.

The West German has better housing. Although the heavier wartime destruction of housing in West Germany and the greater postwar increase in the West German population presented a major problem, Bonn responded by subsidizing a very large building program. West Germany built more dwelling units in every year during the 1950s than were built by East Germany during the entire decade.

During the early 1950s the share of the national product devoted to investment was much greater in West Germany than

in East Germany; investment per capita was roughly twice as great. West German investment was stimulated initially by the large volume of US aid and later by favorable public policies. The requirements of reconstruction and modernization and the rapid increase in population have kept the demand for investments high.

In East Germany, investments were kept low through 1955 to pay reparations to the USSR, reduce the large gap between East and West German consumption, set up a military establishment, and support a large party and state apparatus. Furthermore, because of limited foreign trade opportunities, East Germany could not even use the manufacturing capacity it had.

Since 1955, East German investments have increased rapidly because of diminishing Soviet exploitation, the narrowing of the gap between East and West German personal consumption, and the urgent need to expand and modernize productive capacity. The share of GNP devoted to investments, more than 20 percent, is now about the same as in West Germany.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****THE POLITICAL AND ECONOMIC SITUATION IN BERLIN**

The four-power status of Berlin and Western occupation rights in the city derive from agreements concluded in 1944 and 1945 by the United States, Britain, and the USSR. These agreements established Greater Berlin as a separate and special occupied area under three-power controls (France was added in July 1945) and provided for a governing authority (kommandatura) to direct the city's administration. Western rights were reiterated on 5 June 1945, by a four-power statement in which Soviet Marshal Zhukov concurred that "the area of 'Greater Berlin' will be occupied by forces of each of the four powers"; and on 2 August 1945 by the Potsdam agreement.

Although there is no specific document signed by all four powers providing for free and unrestricted access to Berlin, an exchange of letters between President Truman and Stalin, other statements by and agreements among the military commanders, and documents approved by the Allied Control Council provided for air, rail, and road traffic between Berlin and West Germany.

The unilateral division of the city by the Soviet authorities in 1948 suspended the four-power administration and left West Berlin under tripartite Western administration, but it did not change four-power responsibility for Berlin. Khrushchev tried to justify his November 1958 ultimatum on Berlin by claiming that Allied violations had voided the 1944-45 agreements. Later he admitted the legitimacy of the Allied presence in the city, but he argued that the passage of time had rendered the occupation status of Berlin "abnormal" and therefore in need of change.

Present Legal Situation

The East German regime since its establishment in October 1949 has treated East Ber-

lin as a part of the German Democratic Republic (GDR). The East German constitution states that Berlin is the capital of the GDR, but the regime has not taken the step of formally incorporating it into the GDR. East Berlin delegates to the Volkskammer do not have voting rights, and East German laws--with few exceptions--have been re-enacted by East Berlin's city government before becoming effective there.

Western authorities still insist that the entire city is under four-power occupation, and make regular trips to East Berlin in order to assert their right to travel anywhere within Greater Berlin at any time without obtaining permission from any other authority. They also insist that German civilians have the right to travel freely in the city.

In November 1958 the Soviet Union clearly indicated that it considered East Berlin to be a part of East Germany and no longer under four-power control. Soon thereafter the Soviets began referring to their Berlin commandant as only the commander of Soviet troops in the city, indicating that he no longer had any administrative responsibilities for East Berlin.

The East Germans announced on 8 September 1960 that all West Germans henceforth would have to obtain special permits to enter East Berlin, thereby forcing them to meet the same requirements as to travel in East Germany and making the sector border a de facto GDR frontier. This was an important step toward making the Soviet sector legally a part of the GDR, but it clearly violated four-power agreements guaranteeing freedom of movement within the city.

In mid-February 1961 East Germany revised its sector border control procedures to make crossing much easier, but it pointedly

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

system in which Berlin may use "cover laws" to enact federal laws and regulations merely by declaring the provisions of the federal law also valid in Berlin, rather than requiring re-enactment of the entire law.

As a result of a continuing Allied responsibility for Berlin's security, West German defense legislation does not apply to Berlin, Berliners cannot be drafted into the West German armed forces (although they may volunteer), and West German military units are not stationed in Berlin.

Despite legal restrictions insisted on by the Allies, West Berlin takes an active and influential part in the West German Government. Berlin sends representatives to the Bundestag in Bonn, and although their votes are not allowed to determine the passage or rejection of bills, Berlin delegates participate in debates, introduce bills, and have full voting rights in committees.

Berliners have held, or now hold, high positions in the federal government and legislature. Mayor Willy Brandt has served as president of the Bundestag; Heinrich Krone of Berlin is majority leader of the Bundestag; and another Berliner, Ernst Lemmer, holds the important position of minister of all-German affairs in the federal cabinet. Brandt, furthermore, is the chancellor candidate of his Social Democratic party (SPD) in the West German elections in September.

Berlin is governed by a coalition of the SPD and the Christian Democratic Union (CDU). As a result of the December 1958 city election, in which the SPD and CDU received 52.6 percent and 37.7 percent of the vote respectively, the West Berlin House of Delegates consists of 78 SPD representatives and 55 CDU members. The Communists received only 1.9 percent of the vote and failed to win representation, despite considerable effort and expenditure.

West Berlin's Economy

In spite of the handicaps of its unique geopolitical position and the fact that recovery did not begin until after the blockade of 1948-49, West Berlin has made remarkable economic progress during the past decade. Its economy is booming, and its rate of growth between 1950 and 1960 exceeded even that of West Germany. In 1960 the city's gross product totaled nearly \$3 billion--more than three times that of 1950--and industrial production was 53 percent above prewar levels. At the beginning of the decade there were more than 300,000 unemployed in West Berlin, but in the peak month of September 1960 only 19,200 were unemployed and there were 14,600 unfilled job openings.

West Berlin's recovery and present prosperity has been made possible only with extensive US and West German financial aid. For many years Bonn has made good the city's annual budget deficit and also has made large payments for social and insurance pensions. In 1959 the total West Germany contribution was about \$375,000,000. This transfer of purchasing power enables West Berlin to cover its large balance-of-payments deficit, which in 1959 totaled \$345,000,000. West Germany also assists Berlin through tax preferences and preferential shipping rates and by promoting the placement of industrial orders in the city.

In recent years about 65 percent of Berlin's output has been exported to West Germany, including 73 percent of the production of the electrical equipment plants--the city's leading industry--and 70 percent of that of the clothing industry. West Berlin's trade with East Germany and the bloc is very small, and the bulk of its food, coal, and raw materials are transported across the access routes through East Germany from West Germany and other free world sources. Almost six times as much cargo moves into the city from the west as in the opposite direction,

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with railway and road traffic accounting for 68.3 percent of the total volume, barge 31.6 percent, and air only 0.1 percent.

East Germany supplies the city small amounts of fresh foods and agricultural products and a major portion of the brown-coal briquettes used extensively for heating Berlin's private dwellings--a vital import inasmuch as West Germany does not produce enough brown coal to meet its own and Berlin's needs.

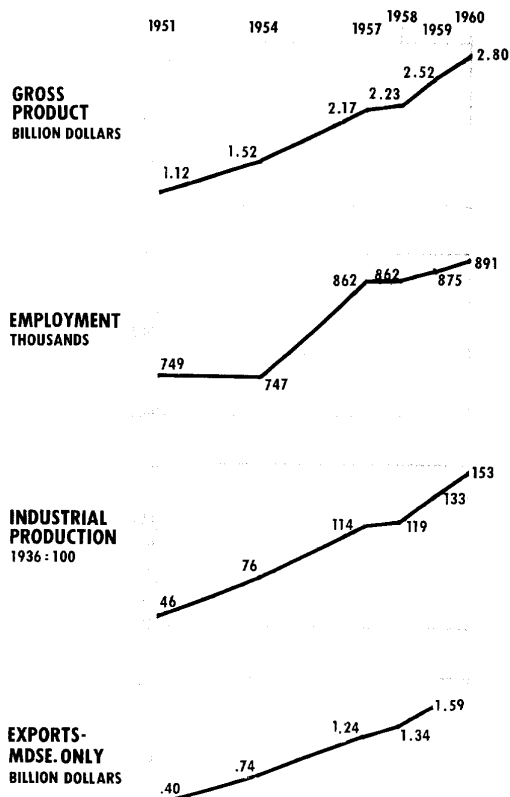
East Berlin's Situation

As part of its Seven-Year Plan, the East German regime is aiming to transform East Berlin into a showplace that will demon-

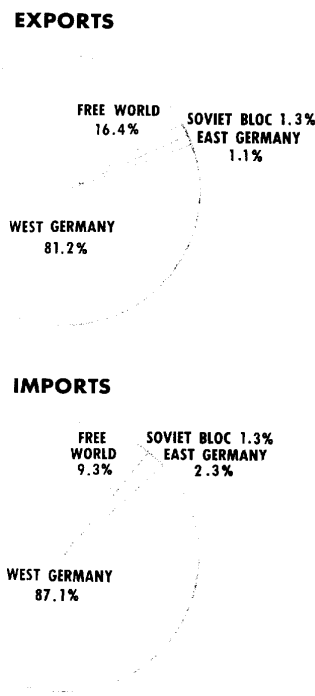
strate the progress made under Communism and eventually rival West Berlin. East Germany's development program is also designed to show that it will not permit the Soviet sector of the city to become a part of any "free city" of Berlin.

In contrast with West Berlin, however, East Berlin presents a shabby appearance. Even government buildings have a down-at-the-heel look, and the reconstruction of several years ago along famed Stalinallee not only is ugly but fails to hide the bombed-out areas behind the new buildings. Much of the postwar construction is shoddy, and even relatively new buildings are already showing considerable deterioration. Housing is still

**ECONOMY OF WEST BERLIN**



**TRADE DISTRIBUTION 1959**



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inadequate for the dwindling population. Automobile traffic is scanty, and streets are in need of repair and modernization.

Living standards in East Berlin are substantially below those in West Berlin and West Germany, despite the fact that East Berlin residents are a favored element of the GDR populace. The contrast is particularly sharp in Berlin, although the difference in consumer welfare between East and West for Germany as a whole is mainly one of quality rather than quantity. However, West Berlin is a showcase, and many East Berliners make frequent shopping trips there to purchase the more attractive--though more expensive--goods available.

West Berlin Stockpiling

As a result of the stockpiling program undertaken after the 1948 blockade, West Berlin has on hand about \$200,000,000 worth of food, fuel, and raw materials. It has sufficient basic foods to provide a year's supply at an estimated rate of consumption of 2,950 calories per person per day. Berlin officials estimate that enough bricks, cement, and lumber have been stored to last the city an entire building season and enough hard coal for about 12 months.

Stocks also include a six-month supply of brown-coal briquettes, dry milk, dehydrated vegetables, clothing, and medical supplies. West Berlin has its own water, electricity, and telephone system, but its sewage is processed in East Berlin disposal plants.

The problems of supplying Berlin by another airlift are far greater than in 1948-49 when, with industry producing at only 19 percent of 1936 levels, the city was kept alive by an airlift supplying about 5,000 tons of food and coal a day. Today the city's booming industries

use about 20,000 tons of food, coal, and raw materials a day, and the population has become accustomed to the comforts of prosperity.

Furthermore, difficulties could also arise from intermittent slowdowns in shipments rather than a complete halting of traffic--such as "administrative delay" by the East German transport personnel. Even with stockpile materials, such harassments over a period of time could act to undermine the city's stability and morale.

Past experience has shown, however, that the often-threatened Berliners do not panic easily, and they continue to have a basic confidence that the West will stand by them. Although some anxiety was noted in the Berlin business community last fall when East German attempts to restrict the free access of West Germans to and within Berlin led to Bonn's suspension of its interzonal trade agreement with East Germany, the uneasiness was not translated into decisions having a basic impact on the economy. Business activity remained generally normal, industrial orders were high, and several firms went ahead with plans to expand their production facilities.

West Berlin leaders note with satisfaction that in recent months --and especially since the reinstatement of the interzonal trade agreement in December-- traffic has proceeded more freely and with less interference by East German transport personnel than at virtually any other time, and access has been improved by East German agreement to the sealing of truck cargoes and the removal of the tolls on waterway traffic imposed by the Communists since 1958. These leaders cite these developments as hopeful signs that East Germany's dependence on West German sources for key industrial goods will serve to restrain harassment of civilian access in the future.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****WESTERN POLICY ON BERLIN**

Since the failure at Geneva in 1959 to conclude an agreement with the USSR for an "interim solution" in Berlin, West German, French, and British leaders have tended to agree that Western legal rights in Berlin are unimpeachable and that the maintenance of the status quo is the best realizable situation. The West Germans have shown the least interest in new negotiations and have sought to employ delaying tactics to ward off major decisions as long as possible. The British have generally been more willing to explore ways of easing points of friction. During periods of intense Communist pressure, however, Bonn and Paris--as well as London--have shown an inclination to investigate compromises and to consider possible concessions in order to avert a showdown with the USSR.

The West German Position

West German leaders are convinced that their country's interests would be damaged by any significant reduction of Allied rights in Berlin or change in West Berlin's economic and political ties with West Germany. Fearful that the Allies are basically unwilling to take any real risks to defend Berlin and may eventually agree to a "status-quo minus" solution, they have sought to employ delaying tactics in an effort to ward off major decisions as long as possible.

Adenauer generally takes a highly skeptical view of summit negotiations on Berlin, maintaining that Berlin is but one of the many problems in East-West relations and that there should be a reduction of tensions through an agreement on disarmament before

tackling the Berlin and German problems. He tends to feel that the USSR cannot be trusted in any new agreement on Berlin and to insist that the Allies continue to maintain a strong stand in defending their rights.

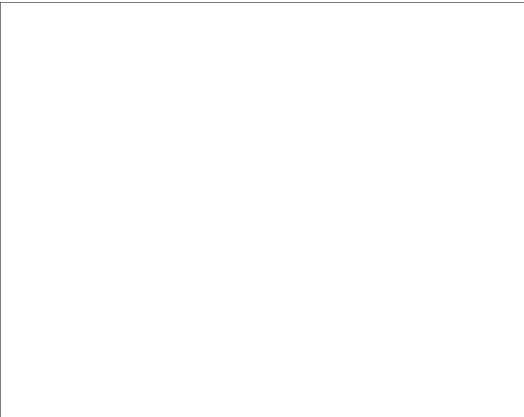
The chancellor has strongly and consistently opposed all proposals suggesting any form of disengagement of Allied forces from Germany and the withdrawal of the Federal Republic from NATO. If another round of talks with the USSR on Berlin becomes unavoidable, however, he will insist that Bonn must, as in the past, have a say in the preparation of the Western position, and he will probably seek to exercise a veto over any significant Western concessions.

There have been numerous indications that Adenauer has considered inviting Khrushchev to Bonn some time in 1961 in order to explore Soviet intentions on Berlin and try to get any four-power negotiations postponed until after the German elections in September. Adenauer has given assurances that he has no intention of negotiating unilaterally with the Soviets about Berlin's future and has frequently stressed that the Berlin problem remains the responsibility of the four occupation powers. He is, however, anxious to appear flexible and to avoid any action in Berlin which could give Soviet propaganda a pretext for depicting him as an obstacle to an international detente. 25X1

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Willy Brandt goes further than Adenauer in insisting that all ties between West Berlin and the Federal Republic be maintained. He has criticized the chancellor for not being vigorous enough in maintaining this relationship, arguing that it is harmful to abandon such symbols of Bonn-Berlin ties as the annual Bundestag meetings in West Berlin.

Furthermore, pending the reunification of Germany, the West Berlin mayor feels that the essentials of status quo in Berlin must be preserved, since any alteration of the legal basis of Allied presence would curtail the "primary rights" of the Western powers in Berlin. Although he recognizes that Allied forces in Berlin have a largely symbolic character, he has repeatedly stated that Allied garrisons cannot safely be reduced below present strength without affecting Berlin morale.

Brandt has strongly repudiated the USSR's "free city" proposal, but has stressed the need for continuously probing Soviet intentions in order to search for any possible change of views regarding ties to be maintained between the proposed "free city" and West Germany.

Although he would prefer that any negotiations on Berlin be part of a larger framework of East-West discussions, Brandt realizes that the West may be forced to talk about the Berlin issue only. He has frequently stated that any future negotiations on Berlin should feature a re-examination of the 1959 Western proposal calling for the reunification of Greater Berlin as a first step toward German reunification. Brandt insists that West Berlin's interests must be considered in any negotiations on the city's future and will continue to reserve the right to approve any future solution.

British Views

Extremely conscious of Britain's vulnerability to nuclear warfare and still hoping for an evolutionary improvement in East-West relations, the Macmillan government is inclined to investigate compromises and to consider possible concessions in the event of severe Communist pressure on the Western position in Berlin. This tendency is strongest at times of high pressure, and weakest when the threat of military action subsides or when the British place a premium on close identification with Allied views--as in establishing firm links with the new American administration.

London agrees with Paris and Washington that the three nations' legal rights in West Berlin, including access to the city, are absolute, based on wartime and immediate postwar agreements, and holds that Moscow could not legally modify them by a separate peace treaty with East Germany. The Macmillan government has repeatedly stated in public its intention to honor Britain's obligations to Berlin, both legal and moral, and affirms

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

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the impossibility of yielding to any Communist threats.

Now maintaining a military force of some 3,000 men in West Berlin, Britain has agreed to join in a review of Allied contingency plans in view of the fear that Khrushchev will take some initiative regarding Berlin before the 22nd party congress meets in October.

Nevertheless, London is unhappy that the Western enclave within East Germany provides a source of frequent East-West friction. When negotiations have been in prospect in recent years, the British have done much thinking aloud about ways in which the West might ease some of the points of friction. This tendency reached its height under the pressure of Khrushchev's six-month deadline in the winter of 1959.

At times of tension, the British stress the importance of employing only those measures which would not appear provocative to the East Germans or Russians, which would impose greater inconvenience on the East than the West, and which are carefully tailored to fit the specific problems at hand with maximum psychological effect on the Communists. In keeping with these principles, the British last summer opposed the West German Bundestag's meeting in Berlin as unnecessarily provocative, have often argued against the West's imposing a "self-blockade" by refusing to accept East German stamping of transit documents, and last fall insisted that tightening restrictions on East German travel not have the effect of cutting off

trade with East Germany in the absence of a policy decision to do that.

In line with its hope that frequent friction will not bar a long-term improvement of relations with the Soviet bloc, London wants to increase contacts and so is anxious to minimize restrictions on trade and travel between East Germany and the West. Domestic British interests strongly support the government in this respect. London opposes measures more restrictive than those imposed by West Germany, the ally most concerned. Past periods of strained London-Bonn relations have found the British particularly averse to inconveniencing themselves to harass the East Germans.

While Britain considers the recognition of East Germany a diplomatic impossibility--to avoid infuriating Bonn as well as for implications regarding West Berlin--it is more concerned with practical considerations and long-term goals than with opposing steps that might lead to de facto recognition. Some parliamentary sentiment in the Conservative as well as Labor party favors considering the eventual recognition of East Germany as part of some package settlement of the German problem. Even the lip service previously paid to German reunification is fading to a faint whisper.

**French Policy**

The basic French policy on Berlin and Germany is to maintain the status quo as the best realizable condition. This policy is founded on the need, clearly recognized in Paris, to prevent further Soviet encroachment in Europe, but it also reflects the continuing fear that a unified Germany acceptable to the Soviet

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

Union could not be tied to France in the existing European and Atlantic organizations, and might again pose a threat to French interests.

Since the aims of the Paris and Bonn governments coincide with respect to maintaining the security of Western Europe, the French have supported West Germany in most cases where there has been a clear and direct challenge from the Soviet bloc. Thus France has firmly resisted Soviet or East German attempts to disrupt Allied access to West Berlin and on several occasions has actually taken the lead among the Western powers in denying travel documents to East German nationals.

Recently increased concern, especially in the Foreign Ministry, that the Soviet Union will sign a separate peace treaty with East Germany perhaps as early as this summer has led Paris to cooperate in stepping up three-power contingency planning to cover Western countermeasures in the event access to Berlin is threatened. Of the 49,000 army troops France has in Germany, 1,700 are in West Berlin.

On the other hand, French concern to preserve the status quo has been manifested in some criticism of Bonn whenever Paris felt that West Germany might take provocative action. De Gaulle himself has publicly accepted the Oder-Neisse line as Germany's eastern frontier, but there have been several indications that France would prefer to see the issue kept open as a possible Western concession in future negotiations. The French public has been generally critical of irredentist statements by refugee spokesmen in West Germany. Bonn's attempts to portray these state-

ments as merely election campaign slogans have not been fully convincing.

Paris has particularly opposed what it considers attempts by Bonn to assume three-power responsibilities in West Berlin on the ground that they will weaken the legal argument for continued Allied presence. This has led to several French suggestions that the Allies exercise more control over West German legislation applied to West Berlin, and to French opposition to holding Bundestag and Bundesrat meetings in Berlin.

Because France sees its broad national interests best protected by a continuation of the present division of Germany and maintenance of Allied rights in Berlin, there has been little high-level discussion of alternative conditions for Germany. However, France has opposed the Soviet proposals to make West Berlin a "free city." Although willing to discuss the German problem with Soviet representatives, even at the foreign ministers' level, Paris would not like to see such a discussion limited to devising a new status for Berlin. If faced with a choice, however, France would be even more unwilling to see a united Germany not tied to the West.

Since 1945, De Gaulle has seen in close French-German relations "a possibility of understanding...which the past has never offered." Now that much of that possibility has already been realized, De Gaulle will not easily give up his objective of a strong Europe based on France and West Germany, and is likely to continue to oppose political agreements which would alter Germany's status.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****SOVIET POLICY ON BERLIN AND GERMANY**

The crisis over Berlin precipitated by Khrushchev on 10 November 1958 was the logical extension of the policies developed by the Soviet leaders following the Western decision in 1955 to accord full sovereignty to West Germany and bring it into the NATO alliance. Having failed to block these developments, Moscow adopted a new course aimed at gaining Western acceptance of the concept of two Germanys.

Its initial move in this direction was to establish diplomatic relations with Bonn in September 1955. The USSR then concluded a state treaty with Ulbricht's regime granting it all the attributes of sovereignty except control over Allied access to West Berlin. Next, Molotov at the Geneva foreign ministers' conference in November 1955 rejected reunification of Germany by means of free elections and declared that unification was possible only through a rapprochement between the two German states.

Thereafter the USSR took the position that a peace treaty should be negotiated with and signed by the two German states. Previously, the Soviets had said a treaty would be concluded with a reunified Germany. This new approach still left two significant issues unresolved: the status of Berlin and the conclusion of a final peace settlement. Therefore the final step in this policy was the crisis over Berlin and the Soviet demands for a peace treaty with East and West Germany and a "free city" in West Berlin.

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

also 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 could 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 at the Geneva foreign ministers' conference, Khrushchev's fundamental goal has been not to drive Western forces out of Berlin within some brief period but to bring about a basic 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. Moscow's initial demand for the creation of a free city and all subsequent amendments, including a compromise solution for an interim period, have aimed at liquidating 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 deadlines, either explicit or implicit, to guarantee continuing Western interest in discussing the issue in order to avoid a crisis.

The breakdown of the summit conference in Paris confronted

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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 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.

Soviet restraint, however, did not preclude attempts by the East Germans to undermine the Western position in Berlin by imposing arbitrary restrictions on the movements of West Germans into East Berlin. In the face of West German economic retaliation, the Communists gradually retreated and accepted a compromise settlement of the issue, partly because of the potential economic disruption which would result from a break in trade but also because of Khrushchev's desire not to jeopardize the chances for an early meeting with the new President.

Khrushchev also used this period between the summit conference and the change of administrations to spell out his future course. He began to lay the groundwork for new high-level negotiations on Berlin in his discussion with Prime Minister Macmillan in New York last fall. He told the prime minister that the heads of government would have to discuss Germany and Berlin and that the Soviet Union would sign a treaty with East Germany if the West refused to reach agreement. He said that, in any case, the question of Germany must be settled during 1961. Khrushchev made this position public on 20 October and informed West German Ambassador Kroll that postponement of a solution beyond the West German elections, scheduled for this September, would be unacceptable.

In a recent conversation with Kroll, Khrushchev modified his earlier timetable. While strongly emphasizing his determination to achieve a solution during 1961, Khrushchev stated that the bloc had set no precise deadlines and would be willing to wait until the West German elections and "possibly" until the Soviet party congress in October before convening a bloc peace conference to sign a separate treaty with East Germany. He said also that the prospects of a showdown over Berlin "need not affect negotiations already begun with the US" and that he was willing to give the President more time.

This line and Khrushchev's repeated assurances in his recent interview with Walter Lippmann that he recognized that the President needed time to consolidate his position suggest that Khrushchev's future course is still closely tied to his desire to hold a high-level meeting on Berlin, either bilaterally with the US or at another four-power summit conference. At the same time, these statements probably reflect the Soviet leaders' awareness that East-West negotiations on Berlin will require considerably more time than Khrushchev anticipated after the summit breakdown

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The Soviet Position

The USSR's maximum demands have remained essentially unaltered since first spelled out in the notes of 27 November 1958 and 10 January 1959; they were most recently restated in Moscow's memorandum to Bonn on 17 February 1961. The USSR proposes to conclude a peace treaty with both German states and to transform West Berlin into a demilitarized free city. This position was modified slightly at the Geneva foreign ministers' conference, when Gromyko proposed that "symbolic" units of the four

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

powers could be stationed in the free city. In his conversation with Ambassador Thompson on 9 March, Khrushchev reiterated this variation of the free city scheme and also mentioned the possibility of a joint police force.

In that conversation, Khrushchev explained that the Soviet Union did not want to change anything in Germany but only to establish juridically what had happened after World War II--i.e., the emergence of two Germanys--and to provide a legal foundation for postwar borders in Europe. In almost every major Soviet pronouncement on the German question there is a similar phrase. The repeated references to the necessity of confirming the postwar situation in Europe, although designed in part to present Soviet demands in a reasonable light, also reflect the Soviet leaders' preoccupation with firmly establishing the international position of the East European regimes through a treaty freezing the partition of Germany and recognizing the East German boundaries as permanent international frontiers.

Khrushchev is well aware that the growing strength of West Germany poses a serious political, economic, and military challenge to the Ulbricht regime and to the East European governments bordering on Germany. By demanding a peace treaty, a free city, and complete East German control over communications to Berlin, Khrushchev is seeking to deal a decisive blow to Bonn's aspirations for unification and to undermine its confidence in the strength and unity of the Western alliance.

In his talks with Lippmann, however, Khrushchev indicated that he does not hold any great expectations for Western acceptance of a peace treaty with both Germanys. Recent Soviet

statements provide strong evidence that Moscow instead will concentrate on obtaining a temporary or interim solution for Berlin. The memorandum to Bonn stated as much, and Khrushchev told Lippmann that such an interim solution was a Soviet "fallback" position. Khrushchev made it clear, however, that the USSR would press for an agreement abolishing Western occupation rights at the end of the interim period. The revival of the interim concept, well in advance of any negotiations, suggests that Moscow sees this as the only proposal realistic enough to gain Western agreement.

The interim agreement as originally outlined at the Geneva foreign ministers' conference has three main advantages for the USSR: 1) a strictly defined time limit, which would permit Moscow to reopen the question with a stronger legal and political position; 2) the implication that the Western powers remained in Berlin at the sufferance of the USSR; and 3) the link between an interim agreement and the establishment of an all-German negotiating body. In effect, the Soviet leaders hoped to induce the West to accept a revision of Berlin's status in the direction of the free city proposals in return for permission to maintain troops in and to have free access to Berlin for a limited period.

At Geneva, Foreign Minister Gromyko refused to clarify the status of Western rights at the end of this period and proposed only that negotiations be resumed with "due regard" to the situation prevailing at that time. The interim agreement, therefore, was intended as a stage leading toward the ultimate withdrawal of Western forces from Berlin. This position was made clear shortly before the Paris summit meeting, when Moscow proposed in a note to De

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Gaulle that the interim period last for two years, but that at the end of the period the four powers would be committed to sign a peace treaty and "take measures" to create a free city in West Berlin.

A constant element in all Soviet formulations for a temporary solution of Berlin's status has been the proposal to convene an all-German commission to negotiate on unification and a peace treaty while the interim agreement was in effect. Khrushchev has [redacted] conceded that he realized that such negotiations would probably fail, but the USSR has insisted on this proposal as a means of gaining Western endorsement of the thesis of two sovereign German states and their exclusive right to deal with unification.

The other points of an interim agreement--duration, abolition of propaganda activities, prohibition of nuclear weapons in West Berlin, and reduction of Western troops--are essentially bargaining counters. East German statements have listed various terms for "normalizing" the situation, including cessation of recruitment in West Berlin for the West German forces, termination of the West German Government's official activities there, and a "progressive reduction" of Western forces. As to the duration, Khrushchev is quoted by Lippmann as mentioning "perhaps two to three years," which could mean an extension of the last formal proposal--before the Paris summit--for a two-year agreement.

Conclusions

Despite Khrushchev's repeated expressions of skepticism

regarding the West's willingness to resort to a nuclear war over Berlin, his actions during the past two and a half years suggest that a margin of doubt exists in his estimate of the Western response in a crisis, and that he still prefers a negotiated solution. Recent Soviet statements stressing the urgency of the German question suggest that a formal demarche to renew negotiations may be made in the relatively near future. Khrushchev probably would contend that the Western powers, after the abortive summit conference, committed themselves to reconvene the meeting and would cite his conversation with Macmillan as proof.

In any negotiations which take place in the next few months, Moscow might reduce some of its demands for an interim settlement rather than allow the talks to collapse. The main purpose of a limited agreement, however, would still be to document the Soviet contention that existing Allied rights are void and to establish the presumption that further steps would be taken to adjust the status of West Berlin.

If the West refused to negotiate, Khrushchev would probably feel compelled to conclude a separate treaty. His long and continuing commitments to take this action probably act as a form of pressure either to demonstrate gains by negotiations or to carry out his repeated pledges to resolve the situation in Berlin by unilateral action. At any rate, Khrushchev has committed himself to a solution during 1961. [redacted]

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