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# CURRENT INTELLIGENCE WEEKLY SUMMARY



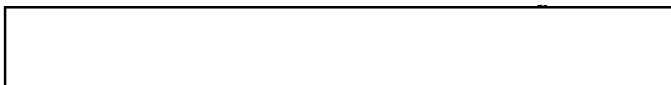
CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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CURRENT INTELLIGENCE WEEKLY SUMMARY

13 July 1961

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

EAST-WEST RELATIONS . . . . . Page 1

Khrushchev's speech on 8 July and the Soviet Aviation Day air show on the following day underscored Moscow's current dual line which combines readiness to negotiate on Berlin and Germany with measures to impress the West with Soviet military power. His announcement of a suspension of force reductions planned for 1961 and an increase of over three billion rubles in defense allocations--following publicity concerning proposed US military budget increases of \$3.5 billion--was intended as a warning that the USSR will not be deterred from carrying out its declared intentions on Berlin by any military measures the Western powers may take. Khrushchev sought to maintain the political initiative in the maneuvering on Berlin by renewing his call for a negotiated settlement which would protect West Berlin's freedom and communications. These moves are designed to make it difficult for the Western powers to maintain a common front and to induce them to consent to negotiations under terms favorable to the USSR.

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LAOS . . . . . Page 6

Communist bloc delegates at Geneva continue to press for a discussion of neutrality drafts and to charge the West with seeking to break up the conference with demands for prior consideration of control mechanisms. While the three Laotian princes are still trading suggestions for the site of further talks on a possible coalition government, General Phoumi is pursuing his program to give the King a dominant role in forming a future government.

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FRANCE-ALGERIA . . . . . Page 8

De Gaulle is determined to relieve France of its Algerian burden without delay--preferably through negotiations but by a complete political withdrawal from Algeria if necessary--and is stressing the need to prepare for the approaching Berlin crisis to underline his urgency. While his 12 July speech re-emphasized the disadvantages for both the provisional Algerian government (PAG) and France if negotiations fail, there are indications that the French will have a more flexible position, particularly on the Sahara issue, when negotiations are resumed. The PAG is concentrating its efforts on mustering African support for its claims that the Sahara is an integral part of Algeria, while reiterating that it is prepared to make political and economic concessions if the French recognize this.

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KUWAIT . . . . . Page 10

Baghdad's news coverage of the Kuwaiti issue has largely been supplanted by press attention to the celebrations of the 14 July Iraqi revolution. Press stories that British employees of the Iraq Petroleum Company will be replaced by Italians have been formally denied by Iraqi authorities. The British now are trying to find an alternative means of guaranteeing the independence of Kuwait which would permit early withdrawal of their troops. At the 12 July Arab League Council meeting the UAR pressed for the replacement of British troops in Kuwait by those from Arab countries not bordering Israel, thus excluding the UAR.

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CONGO . . . . . Page 11

Negotiations concerning the composition of a new government are continuing between representatives of the Leopoldville government and the Stanleyville regime. Tshombé's apparent intention to boycott the forthcoming parliamentary session poses the threat that pro-Gizenga forces will be able to control it; a pro-Gizenga spokesman has expressed the fear that "army elements" may attempt a coup should parliament approve a government not acceptable to them.

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CUBA . . . . . Page 12

Extensive preparations are being made for the 26 July celebrations, and government officials and prominent personalities from many countries are expected to attend. The Cuban regime may use this occasion to display its recently acquired MIG aircraft.

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Latin American Communists and labor leaders will meet in Havana at the same time to organize a new, Communist-controlled, Latin American labor confederation.

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DOMINICAN REPUBLIC . . . . . Page 14

Pro-Castro extremists in the Dominican Republic are emerging as the most aggressive of the anti-Trujillo groups and threaten to overshadow more moderate opposition elements with which the extremists are seeking to ally themselves. The mob violence sparked by the extremists on 7 July has raised another obstacle to the cautious moves of President Balaguer to create a more democratic climate; pressure within the regime for a return to past repressive tactics against all opposition elements has probably increased. On 5 July Balaguer named a new cabinet replacing the one installed by the late dictator.

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SOVIET INDUSTRIAL CONSTRUCTION LAGS . . . . . Page 15

Problems of industrial construction have evidently become serious enough in at least three major areas to require the direct intervention of one of Moscow's top economic trouble shooters, A. N. Kosygin. Kosygin's trip last month to construction sites and factories in Kuybyshev, Saratov, and Kemerovo oblasts was probably intended to give him a chance to investigate at first hand the inefficiencies and shortages of building materials and equipment which have plagued the construction program at various locations throughout the country.

[redacted]

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PARTY JOURNAL CLARIFIES SOVIET AGRICULTURAL POLICY . . . . Page 17

The authoritative party journal *Kommunist* has set forth what appears to be the official line in the high-level controversy over the future development of the Soviet farm system. It has come out against the wholesale conversion of collective farms into state farms. Those who argue that the time has come to speed up conversions, eliminate the private plots of collective farmers, and transfer all collective farms to the system of guaranteed monthly cash wages are branded "deeply incorrect." The high rate of conversions in 1960 will probably slow down, and pressures to tailor the collective farm more closely to the state farm pattern may decrease.

[redacted]

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EAST GERMAN MOVES TO COUNTER EVANGELICAL CHURCH CONGRESS . Page 18

The East German regime is maneuvering to reduce attendance by East and West Germans at the Evangelical Church's all-German congress scheduled to meet in West Berlin from 19 to 23 July. The Communists appear reluctant, however, to attempt coercive measures against Western attendance. East Berlin authorities have banned congress sessions in the Soviet sector but have not revealed whether they will forbid religious services as well or what steps they would take to prevent West Germans and West Berliners from attending such services. The regime is pressing East German church members to boycott the meeting.

[redacted]

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SINO-SOVIET RIVALRY IN ASIA . . . . . Page 19

Heightened activity by Moscow and Peiping in relation to the Asian Communist parties during the past few months reflects the continued strain in Sino-Soviet relations, now expressed in increased political and economic rivalry rather than in the doctrinal debates which characterized the peak of the dispute last year. Moscow, with the example of Albania fresh in mind, has apparently turned its attention to the task of consolidating its position with the important Communist parties of Asia.

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The Chinese have also been trying to expand their influence in the area. While both countries are interested in countering Western speculations of competition, their protestations of "unity" cannot submerge the clear signs of their rivalry. [redacted]

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ECONOMIC DEVELOPMENTS IN COMMUNIST CHINA . . . . . Page 22

Serious difficulties still grip both industry and agriculture. Production stoppages at individual plants, arising from various causes, have been numerous; there appears to have been a significant slowdown in industry as a whole in order to rebuild stockpiles of fuel and raw materials and to overhaul equipment. Problems with raw materials, parts, and labor productivity continue. Industrial output in 1961 will probably fall below that in 1960. [redacted]

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TURKEY'S CONSTITUTIONAL REFERENDUM . . . . . Page 23

Approval of the new Turkish constitution in the national referendum on 9 July was a major step toward a return to representative government; General Gursel has renewed his promise to hold parliamentary elections by mid-October. However, the vote in favor of the new constitution was far below the overwhelming endorsement desired by the military regime. The results reflect both general voter apathy and, apparently, considerable disillusionment with the handling of government affairs during the past year by the CNU. The substantial negative vote also indicates continued opposition to the Republican People's party and its anticipated return to power following the elections. [redacted]

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POLITICAL STRIKE LIKELY IN NORTHERN RHODESIA . . . . . Page 24

African nationalists in Northern Rhodesia have called for "immediate positive action" to protest recent British proposals for a constitution for the protectorate. If these proposals were put into effect, the main African political group--the United National Independence party (UNIP)--would probably run a poor second to the principal European party in any early election. Through strikes and associated agitation, the UNIP probably could disrupt much of the Northern Rhodesian economy for a short period. [redacted]

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[redacted] Britain nevertheless will probably try to impose the revised constitution in the face of African opposition. [redacted]

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THE COMMON MARKET AND AFRICA . . . . . Page 25

Considerable progress has been made in recent weeks toward establishing a basis for re-negotiation of the 1957 convention which associates the former French, Belgian, and Italian territories in Africa with the Common Market (EEC). Provided their independence is fully respected,

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most of these countries appear willing to accept close institutional and economic ties with the EEC after the present convention expires next year. Negotiation of this partnership will be complicated, however, by uncertainty over Britain's future relationship to the EEC. Moreover, continuation of African-EEC tariff preferences will hurt producers of tropical products elsewhere, notably in Latin America. [redacted]

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**BRITAIN TO CUT OVERSEAS SPENDING . . . . . Page 26**

The Macmillan government is planning to trim spending abroad as a consequence of its balance-of-payments difficulties. This will revive London's efforts to secure West German payments to defray the foreign exchange costs of the British Army of the Rhine--the principal drain on Britain's nonsterling military spending. The growth of Britain's economic aid to underdeveloped countries is also threatened. [redacted]

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**SPECIAL ARTICLES**

**MORALE IN COMMUNIST CHINA . . . . . Page 1**

Peiping's economic setbacks have resulted in a general erosion of public confidence in the regime. Working-level Communist officials, on whom the party depends for the execution of its programs, have been confused by shifts in policy. In addition, there is widespread indifference to appeals for greater work efforts. The party leadership has made limited concessions in an effort to increase incentives. The regime appears irresolute, however, and to be making only makeshift decisions. [redacted]

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

## EAST-WEST RELATIONS

Khrushchev's speech on 8 July and the Soviet Aviation Day air show on the following day underscored Moscow's current dual line which combines a show of reasonableness and readiness to negotiate on Berlin and Germany with measures to impress the West with Soviet military power. His announcement of a suspension of force reductions planned for 1961 and an increase of over three billion rubles in defense allocations was intended as a warning that the USSR will not be deterred from carrying out its declared intentions on Berlin by any military measures the Western powers may take to demonstrate their firmness on this issue.

Khrushchev sought to maintain the political initiative in the present maneuvering on Berlin by renewing his call for a negotiated settlement which would protect West Berlin's freedom and communications. These political and military moves are designed to make it difficult for the Western powers to agree on measures to strengthen their bargaining position, and to induce them to consent to negotiations under terms favorable to the USSR.

In his speech Khrushchev again stated, on the one hand, that the Soviet Union has no desire to interfere in the internal affairs of West Berlin, to obstruct Western access, or to damage the prestige of the US, Britain, and France. He expressed agreement with President Kennedy's recent statement that West Berliners must have the right of an independent choice as a free people and claimed that Soviet propos-

als "fully meet this demand."

Khrushchev appealed to President Kennedy and De Gaulle and Prime Minister Macmillan to "display wisdom" in settling the German problem and to agree to negotiations along with "other peace-loving states" to conclude a peace treaty. This formulation stops short of an explicit bid for a four-power summit meeting and apparently was intended as a restatement of the proposal in the 4 June aide-memoire Khrushchev gave the President at Vienna calling for a peace conference "without delay."

Khrushchev's efforts to appear flexible and constructive, on the other hand, were coupled with criticism of the "threatening notes" in recent speeches by Western leaders and by a renewal of previous warnings that the USSR cannot allow the Berlin question to "drag on for years." He attempted to increase the West's incentive to agree to early negotiations by warning that the present Western attitude does not contribute to a "businesslike atmosphere for negotiations" and that, under these circumstances, the conclusion of a separate treaty with East Germany "may prove to be the only way out of the present situation."

High Soviet Foreign Ministry officials have pressed this line in recent private talks with Western diplomats. Deputy Foreign Minister Sobolev indicated

on 10 July that if the US reply to Khrushchev's 4 June aide-memoire is quite negative, the USSR might advance its deadline for a settlement. The

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Italian ambassador informed the US Embassy that Foreign Minister Gromyko was "alarmingly complacent" on Berlin in a recent conversation. Gromyko disagreed with the ambassador's remark that Soviet policy is bound to stir up Western reaction and that the situation could become dangerous; on the contrary, he said there would be no important reaction and that, if there are no negotiations, the USSR would simply sign a separate treaty which would end Allied rights in Berlin.

Military Budget

Khrushchev made it clear in his speech that the increase in the Soviet military budget and the suspension of force reductions were designed to counter measures by the US and its NATO allies to build up their forces. He noted that President Kennedy had proposed a \$3.5-billion increase in US military expenditures and probably anticipated that his figure of a 3,144,000,000 ruble increase in Soviet military allocations would be reported in the Western press as equivalent--as indeed it is according to the official rate.

Khrushchev's announcement conveys the impression that the increase is to be a net addition. It is unlikely, however, that such a large increase in military spending, equal to 35 percent of the original 1961 total, could actually be used over the next six months. The real dollar equivalent to the claimed ruble increase depends heavily on which specific military goods or services the Soviets might

procure, but could be well in excess of the valuation at the official rate.

The additional funds needed to pay military forces now to be kept on active duty, rather than demobilized, is about half a billion rubles. The remaining 2.6 billion would represent about a 60-percent addition to Soviet outlays for military procurement and construction as estimated for all of 1961.

A long lead time is needed for the sharp expansion of sophisticated weapons systems, such as the ICBM, and Khrushchev was referring to the additional expenditures in the context of a cash outlay, i.e., money to be spent during the budget period. Khrushchev could, of course, step up the procurement of conventional weapons, such as tanks and fighter aircraft, currently 25X1

capacity.  25X1

If, as seems likely, the announcement was made primarily for political effect, certain budget items would be reclassified as "military," a relatively simple matter. For example, most spending for military research and development now is concealed in other parts of the budget, and by itself amounts to about 2.8 billion rubles.

New military expenditures in 1961 on the order reported by Khrushchev would have a significant impact on investment and/or consumption goals.

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If the impact were to fall on investment, the over-all rate of Soviet economic growth would decline sharply, thereby pushing off into the future Khrushchev's much-vaunted program of catching up with the US.

Suspension of Force Reduction

Khrushchev's statement merely publicizes a step probably taken several months ago. There have been several public hints that the program to reduce Soviet armed manpower from 3,623,000 to 2,423,000 in 1960 and 1961 might have to be curtailed. It is believed that the reductions are about half completed and that Soviet armed manpower, excluding internal security forces, now totals about 3,000,000.

Suspension of demobilization, which could reduce the expected net additions to the civilian labor force this year by one fifth, will probably require Moscow to find alternative sources of labor. Planned expansion of high school enrollment may be delayed to make more teen-agers available for work, and further steps may be taken to induce a greater percentage of women to enter the labor force.

Similar measures, together with reductions in the armed forces, since 1955 have enabled civilian employment to rise rapidly during a period in which the low World War II

birth rate was evident in the slow growth of the working-age population. Since last year, however, the number of persons reaching working age is again rising and the relative importance of demobilization as a source of civilian labor is diminishing.

Probably the most direct and immediate effect of the suspension will be felt in the frontier areas of the USSR where labor shortages are a perennial problem. It was to these areas that last year's demobilized soldiers were strongly urged to go.

Aviation Day Air Show

During the Aviation Day air show of 9 July, the first significant air show since 1956, a number of aircraft were publicly displayed for the first time, as well as air-to-air missiles (AAMs) and air-to-surface missiles (ASMs). Despite Khrushchev's disparaging remarks about aircraft in recent years, Marshal of Aviation Sergey Rudenko, deputy commander in chief of the Soviet Air Force, said the main object of the display was to "demonstrate the might of Soviet aviation."

The existence of most of these aircraft has been known for some time. Among those shown for the first time were: a four-jet, modified delta-wing aircraft of heavy bomber size and weight designated Bounder

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and first seen on the ground at Moscow/Fili in 1958; a supersonic dash swept-wing medium bomber with twin-jet engines mounted in the rear, now believed to be the Blinder and first seen at Kazan in early 1960; a supersonic dash twin-jet light bomber believed to be a development of the Backfin and first seen in 1957.

Others newly displayed included: a twin-jet flying boat; a large "convertiplane" apparently designed for both normal and vertical take-offs; one, possibly two, large interceptors with single very high thrust engines; a fighter similar to the Fishpot with rocket assist; a jet light trainer; and three new helicopters. Prototypes displayed in previous shows have not always been selected for production and operational use.

The show also highlighted modern airborne missiles. The Bear turboprop heavy bombers carried an ASM, probably the 350-nautical-mile Cherub. The Badger jet medium bombers carried an ASM which may have been either the 55-n.m. Cracker or the 100-n.m. Truckle. Fishbed, Fishpot, and Fitter fighter aircraft carried AAMs which have not yet been specifically identified.

East German Attitudes

In a speech to the East German People's Chamber on 6 July, Walter Ulbricht echoed Khrushchev's emphasis on the possibility of a negotiated settlement of the German and Berlin issues. He did not preclude, however, "certain tem-

porary sacrifices" by the East Germans in the event that a separate treaty is signed--a reference to the threat of West German economic counter-measures.

Apparently anticipating a summer of heightened tension, the regime reportedly has issued an order canceling summer leave plans of party functionaries in East Berlin through August on grounds that the present political situation requires that all officials remain at their posts in the next weeks. Concurrently the regime instituted harsher policies to deter East Berliners from working in West Berlin by threatening them with severe economic sanctions, and took steps to reduce attendance by East Germans at the forthcoming Evangelical Church congress in West Berlin.

West German Views

Mayor Brandt's suggestion on 7 July that the West consider calling a peace conference of the 52 "anti-Hitler coalition" nations has evoked sharp criticism by Chancellor Adenauer. Addressing a political rally in Munich on 9 July, Adenauer scoffed at Brandt's support of a "super conference" with the comment: "For heavens sake, what would come of that?" The chancellor stated that mention of an "arm-free" zone in central Europe recalled the Rapacki Plan, "which we have discussed and which does not provide security for anyone and only makes us a second-rate nation."

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Adenauer also rejected Khrushchev's statement that conclusion of a peace treaty with both parts of Germany is the most important problem, and asserted once again that controlled disarmament should come first. Using much stronger language, Defense Minister Strauss on 8 July scornfully dismissed all plans, ideas, and concepts for a solution of the German problem as "hocus-pocus" and asserted that conferences with the Soviets had proved detrimental or worthless.

Brandt believes that a large-scale conference could be one way for the West to seize the initiative from Khrushchev and confront the USSR with the self-determination issue. He also favors preparation of a peace treaty draft to be presented as a positive alternative to the Soviet proposals and suggests that the questions of armament reduction and an atom-free zone are negotiable if accepted by both sides and not injurious to the security of either.

Brandt also endorses the statement of Bundestag President Eugene Gerstenmaier favoring any negotiations which might lead to a peace treaty on the basis of German self-determination. Gerstenmaier presented a formal bipartisan declaration of the Bundestag on 30 June which, while flatly rejecting Moscow's proposal for direct talks between West and East Germany, called for peace treaty negotiations which would predetermine the military and political status of a reunited Germany. The statement also

pledged West German readiness to give any reasonable guarantee that a reunified Germany would be "a reliable partner of all their neighbors." Adenauer disapproved the Gerstenmaier statement, especially the implication that it represented a common foreign policy between the Christian Democratic Union (CDU) and the Socialists. Subsequently, the CDU executive committee adopted a formal proposal advocating "a reunited Germany with a free democratic constitution, integrated in the European community."

Although Brandt has frequently expressed privately his desire that the West seize the initiative by making its own proposals rather than merely concentrating exclusively on rebutting Soviet arguments, his proposals are probably partly motivated by a desire to embarrass Adenauer--his opponent in the September national elections --who continues to take a pessimistic view of new negotiations on Berlin. Meanwhile, in a reply to the 17 February Soviet note on Berlin, Bonn declared on 12 July that a German peace treaty must depend on the readiness of the USSR to allow free elections in East Germany, and asserted that a separate Soviet treaty with East Germany "would violate the right of self-determination of peoples." The note stated that a peace treaty with a single German government resulting from free elections would settle problems concerning Germany, including Berlin and the German frontier questions.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

## LAOS

Communist bloc delegates to the Geneva conference on Laos continue to press for a discussion of neutrality drafts and to denounce as "a device to break up the conference" Western demands for prior consideration of control mechanisms.

Soviet delegate Pushkin was adamant on this point during an 8 July meeting with the chief British representative, who had proposed that "neutrality" and "controls" be discussed on alternate days. Rejecting this compromise, Pushkin launched into an hour-long tirade against Western-backed proposals for strengthening the International Control Commission (ICC) and gave no indication that he would accept even an Indian proposal which would incorporate in one document a declaration on neutrality and articles on control.

The Communists seem determined to drag out the conference deliberations on this procedural issue, while Souvanna Phouma and the Pathet Lao continue to strengthen their political position preparatory to the next round of talks between the three princes in Laos.

In a conversation with Ambassador Harriman in Rome prior to his return to Phnom Penh, Cambodian Premier Sihanouk appeared discouraged over events in Geneva and Zurich and offended that his draft compromise on the ICC had been turned down by both sides at Geneva. Commenting that he could "no longer be of value," Sihanouk expressed the opinion that the Pathet Lao would never accept a subordinate position in a Laotian government or agree to integrate their forces. He said that Chinese Communist Foreign Minister Chen Yi had stated that under no circumstances would the Chinese agree to a control commission with real authority, even if the Laotians themselves accepted such controls.

Political developments in Laos continue to await agreement on the site and timing of coalition talks between the three princes. In reply to Vientiane's invitation to Souvanna and Souphannouvong to resume talks in Luang Prabang, Souphannouvong has suggested that the three leaders assemble in Namone; Vientiane is expected to propose that the meetings be held in Phnom Penh.

General Phoumi has been gradually pushing his program designed to influence the formation of a new government. His address to the National Assembly on 11 July outlining the government's position was the first step in a plan by which he hopes the assembly will endorse a turnover of full powers to the King, avoiding a formal dissolution of the assembly which would require early elections.

Both Phoumi and Premier Boun Oum have implied publicly that Souvanna would be unacceptable as head of a new government, but it is doubtful that Phoumi has persuaded the King to assume this role himself. Phoumi this week is touring southern Laos and later will go to Luang Prabang to build up support for his plan.

Since his return from Europe, Premier Boun Oum's mood has been described as one of discouragement over his encounters with Souvanna and Souphannouvong. He too is in southern Laos--on personal matters--and may be absent from Vientiane for an extended period. A top Vientiane official told Ambassador Brown that Boun Oum seemed to be washing his hands of state affairs and to want no part in a future government.

According to Indian Ambassador Ratnam, Boun Oum recently told him that if negotiations at Geneva or between the three princes break down, the best

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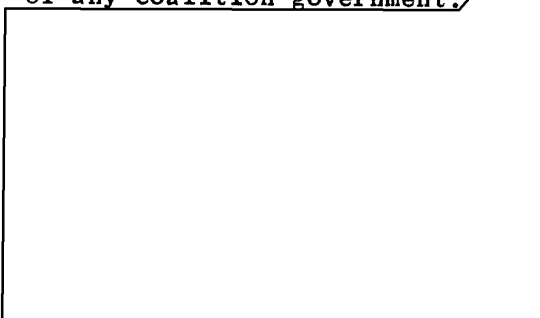
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solution would be to partition Laos, either across the narrow neck of the country or down the middle along the approximate boundary separating areas under government and Kong Le - Pathet Lao control. Ratnam claims that Souphannouvong told him last month that partition was the one thing he would fight to prevent.

There are recent reports that partition is being increasingly discussed as a possible solution among lower echelon officials in Vientiane and that many high-ranking figures consider it virtually impossible to prevent Pathet Lao domination of any coalition government.



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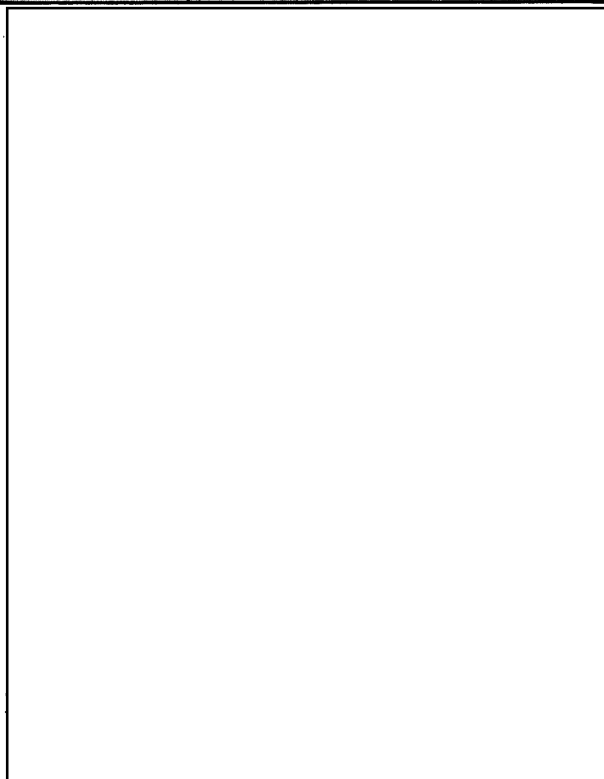


Talks at Namone have continued to be inconclusive on the issue of ICC inspection sites. Although ICC representatives were permitted to attend a 10 July meeting, Pathet Lao - Souvanna delegates again rejected their participation on 12 July.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****FRANCE-ALGERIA**

De Gaulle's 12 July address added little detail to his previous statements on Algeria. His intent seemed to be to impress the PAG and world opinion as well as the French public with the urgency he attaches to an early termination of France's commitments there, by one means or another, in light of the danger for the free world as the Berlin crisis intensifies.

There are other indications, however, that the French negotiating position will be somewhat more flexible whenever talks with the PAG are resumed at Evian. De Gaulle and other French officials have pointedly avoided the word "partition" in their recent references to last-resort solutions. His 12 July definition of "regroupment" bears out earlier references to concentration of Europeans pending evacuation of all who care to leave.

France's chief negotiator, Minister of State for Algerian Affairs Louis Joxe, told an American Embassy official in Paris on 6 July that negotiations would be renewed "shortly," and reportedly was positive in his view that most of the issues on which the Evian talks appeared stalled were in fact negotiable. He suggested that a private conversation with the top PAG negotiator, Belkacem Krim, might be a means of breaking the ice.

Joxe's statement that he would first take up the Sahara issue and that he felt the rebels were more interested in a "moral victory" on this point in the form of political sovereignty rather than in the "material" side suggests that the French are preparing to discuss the PAG's Saharan claims as a means of getting negotiations under way

again. He considered that arrangements are possible which would not deprive France of oil and gas revenues.

Joxe made no reference, however, to the difficulties which would arise over the Sahara if--as press and political observers speculate--he insists on retaining the French missile test range at Colomb-Bechar and perhaps other facilities including nuclear weapons test sites. Joxe also said the PAG is prepared to work out means for French retention of the naval base at Mers-el-Kebir. In view of the PAG's declared intention of adopting a "non-alignment" foreign policy once independence is achieved, Joxe's optimism as to prospects for base negotiations seems premature.

PAG leaders, though disappointed that De Gaulle in his 12 July speech failed to signal any French concessions, will nevertheless persist in their opposition to a settlement on the basis of present French proposals. Despite De Gaulle's repeated threat to regroup the Algerian population failing an agreement on Algerian association with France, the rebels will continue to insist that France reverse its position enunciated at Evian that the disposition of the Sahara is a question apart from an Algerian settlement. They will also continue their efforts to undercut the French position by mustering North African and other African support for PAG demands.

PAG leaders at the same time have continued to emphasize that once talks are resumed the PAG is prepared to make concessions on the issues of guarantees for the European settler community,

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French retention of military bases, and preferential economic cooperation with France, in return for French recognition of Algerian territorial integrity and sovereignty including the Sahara.

PAG hoped to make proposals on these issues "sufficiently concrete and attractive" to enable France to recognize Algerian sovereignty over the Sahara.

While voicing adamant opposition to partition of Algeria and amputation of the Sahara, PAG Deputy Premier Belkacem Krim said twice publicly in Libya that the PAG was prepared to grant the French community in Algeria "full rights in accordance with the sovereignty and dignity of the Algerian people." PAG leaders continue to insist that once the Sahara problem is solved, they see no other major obstacles to a rapid settlement.

The PAG, is an effort to continue pressure on the French, has reportedly called a full-scale meeting of the 62-member National Council of the Algerian Revolution for some time in August. They say the meeting will probably result in a new and

tougher PAG leadership. While such a meeting is certain in the event of a breakdown of negotiations, the rebels have indicated the meeting can be deferred if talks resume.

Strained PAG-Tunisian relations were apparently at the root of several reports that the PAG intended to move its headquarters from Tunis to Rabat. PAG Minister of Information Yazid publicly characterized these reports as "ridiculous," saying that the PAG was not going to move anywhere but into Algeria.

In contrast to the apparently unproductive talks the PAG held with Tunisian leaders on 1 July regarding Tunis' Saharan claims, a delegation headed by PAG Premier Ferhat Abbas worked out at least a tactical arrangement with Morocco. The PAG-Moroccan communiqué of 7 July noted Morocco's "unconditional" support for PAG efforts to maintain the integrity of Algerian territory, its opposition to any attempts to "partition or amputate" Algeria, and--skirting the issue of Morocco's claims to Saharan areas--declared that boundary problems were the concern of the two states alone.

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

Indian and Tunisian officials in Rabat expressed the view to US officials that King Hassan II had extracted a secret

protocol from the PAG recognizing in general terms Morocco's claims to the Sahara and some support of Morocco's claims to Mauritania. [REDACTED]

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**KUWAIT**

The Arab League Council meeting in Cairo on 12 July reached a temporary impasse on Kuwait's membership in the League. Kuwait's insistence that its independence be guaranteed by the League may be resolved by the stationing of Arab troops--excluding those of the UAR and Iraq--in Kuwait in place of British forces now there. However, Iraq has charged this would be tantamount to occupation of part of Iraq by Arab forces.

Publicity on the Kuwait issue has been largely supplanted on Baghdad radio by details of the preparations for the celebrations on 14 July of the third anniversary of the Iraqi Revolution. While maintaining its claim to Kuwait as Iraqi territory, the Baghdad regime has reiterated that recovery of the "lost province" will be carried out by peaceful means. Press stories that British technical employees of the Iraq Petroleum Company (IPC) will be replaced

by Italians have been formally denied by the Iraqi oil minister. It is improbable that Qasim intends to nationalize the IPC, because nationalization would halt oil revenues. Iraq would be unable to market the petroleum without the company's distribution channels.

The British have begun reducing their forces in Kuwait under a plan of phased withdrawal agreed with the Ruler. Defense minister Watkinson announced on 11 July that all British forces would be withdrawn as soon as the situation is assured. Unless requested by the Ruler to effect an immediate departure, London apparently wants to retain at least token forces in Kuwait until the sheikdom's security is protected by an Arab force or some form of UN authority. Meanwhile, British-Iraqi relations have remained on a business-as-usual basis. [REDACTED]

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

Negotiations centering on the composition of a new government are continuing between representatives of the Leopoldville government and the Stanleyville regime. Recent actions by the central government, however, indicate that it is attempting to accommodate Gizenga where possible. On 7 July, the central government acceded to one of his long-standing demands by returning to Stanleyville seven pro-Gizenga deputies who had been under detention in Leopoldville.

The current pace of negotiations makes it unlikely that parliament will open on 17 July, the date for which the Chamber of Deputies has been called into session by its presiding officer.

Army chief Mobutu has reiterated his support for a meeting of parliament, and has stated that he desires to keep the army out of politics. Memories of Mobutu's 1960 coup--which was prompted by annoyance with the inability of Congolese politicians to establish a stable government--nevertheless have inspired some uneasiness in Leopoldville. One pro-Gizenga spokesman has expressed the fear that "army elements" might attempt a coup should parliament approve a government not acceptable to them. Tshombé's apparent intent to boycott parliament poses the threat that pro-Gizenga forces will be able to control parliament.

Mobutu appears to have been balked in his campaign to reunite the Congolese Army under his own authority. Kasavubu on 6 July repeated Mobutu's assurances of amnesty for pro-Gizenga forces in return for their recognition of the authority of the central government; however, General Lundula in Stanleyville in a statement of 11 July said merely that he would place his forces at the disposal of whatever government emerges from the forthcoming session of parliament.

In Elisabethville, Tshombé used the occasion of Katanga's 11 July "Independence Day" to qualify his recent attacks on the Leopoldville government. He stated that Katanga favored "association" with the Congo, but implied that future "cooperation" did not extend to Katanga's subsidizing the Congo treasury. On 9 July, he told a UN official that he would not send a delegation to parliament without first attending a "summit" meeting of Congolese politicians, to be held outside the country. Such remarks suggest that he is returning to the delaying tactics with which he sought to neutralize moves toward unity prior to his incarceration in Leopoldville.

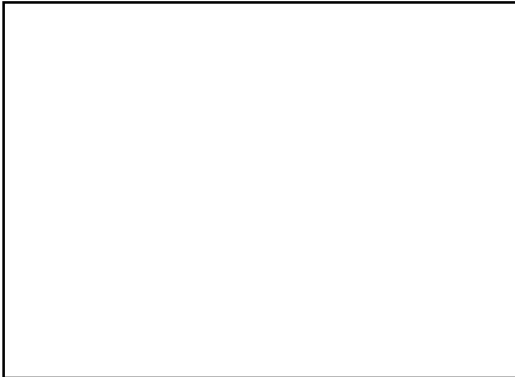
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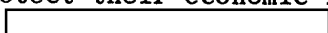
CURRENT INTELLIGENCE WEEKLY SUMMARY

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viser whom it considered responsible for the arrest of the consul. Tshombé reportedly has rescinded an order by his subordinates closing the Belgian Consulate. A UN official has quoted Tshombé as complaining that he was receiving bad advice from his lieutenants, and that even Vice President Kibwe "had begun to lie to him."

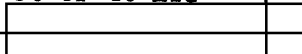
Tshombé's return to Elisabethville has tended to stimulate rather than to diminish rivalries among Katangan leaders, and has coincided with new friction between the Katangan government and the UN. The arrest on 6 July of a Belgian consular official by the Katanga government--on the grounds that he was unsympathetic to Katangan independence--prompted the UN to deport by force a Belgian ad-

Ambassador MacArthur in Brussels notes that Foreign Minister Spaak's efforts to cooperate with the UN have already aroused the animosity of Katangan leaders, and believes that Spaak will continue reluctant to withdraw all Belgian officers from Katanga until he can be reasonably certain that disorder will not ensue. Spaak concedes that representatives of Belgian firms in Katanga may be encouraging Katangan separatism to protect their economic interests. 

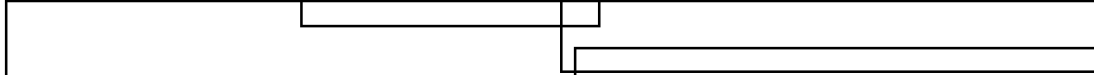

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CUBA

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The Castro regime's continuing silence on the recent arrival of about 30 or 40 MIG aircraft in Cuba 

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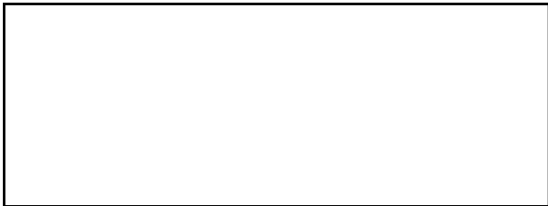
  
celebrations scheduled for 26 July would provide an ideal occasion to demonstrate some of the new aircraft. 

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

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The Castro-controlled press and radio are increasing their build-up of the 26 July celebrations. Foreign guests coming to Havana for the festivities will include government officials and prominent personalities from Sino-Soviet bloc countries, Latin American nations, and other areas.

Soviet space man Yuri Gagarin, who is scheduled to arrive in Cuba on 24 July, is the most widely publicized guest to be invited. He is expected to play a prominent part in the proceedings. Many leftists and Communists from other Latin American countries are expected to receive expenses-paid trips to Cuba. Some of those invited probably will remain in Cuba for several weeks or months for training in subversion, as has been the case with many previous visitors.

An AFP dispatch from Havana on 3 July alluded to the recent creation of an interim revolutionary political organization composed of the Popular Socialist (Communist) party and the remnants of Fidel Castro's 26th of July movement. Described as an organ to hasten the transition to a single "party of the revolution," the new body is referred to as the "Integrated Revolutionary Organizations"

(ORI) and is alleged to be in charge of the preparations for the 26 July celebrations. The report further suggested that the establishment of ORI secretariats, sections, and "revolutionary nuclei" was already an "accomplished fact."

Such a development would constitute an important step in formalizing the dominant role of the Communist apparatus in the Castro regime. Castro and other regime leaders have frequently stated that such a union is necessary for the "building of socialism" in Cuba.

Latin American Communist leaders reportedly plan to hold a meeting of labor leaders in Havana at the time of the 26 July celebrations in an attempt to prepare an organizational congress for a new hemisphere labor confederation. Communist leaders are scheduled to meet separately in Havana but will also devote their attention to planning the new labor body. The meetings reflect a two-year Communist drive to promote a new regional labor organization which would replace the ineffective CTAL, regional affiliate of the Communist WFTU and which would exclude the participation of US labor representatives.

The prospects for the success of the Communist proposal appear poorer now than in 1959, partly because of increased awareness of Castro's ties with the bloc and the decline of his prestige among organized labor groups since that time.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

DOMINICAN REPUBLIC

Mobs incited by the pro-Castro Dominican Popular Movement (MPD) staged violent demonstrations in Ciudad Trujillo on 7 July in the first significant political action since the Trujillo assassination. The mobs, provided with incendiary materials, sacked and burned the studios of Radio Caribe, which prior to its recent re-organization had been closely identified with the most fanatical element backing the late dictator.

Although the MPD is probably still small in membership, its aggressive agitation last week--as well as during a brief period of activity permitted it by the late dictator last summer--undoubtedly appeals to Dominicans anxious for the immediate elimination of all traces of Trujilloism and impatient with the extreme caution thus far shown by other opposition groups. A Dominican student is reported to have said last month that students are so anxious for the overthrow of the regime that they would support a Castro-sponsored invasion if they had a chance and would "worry about the consequences later."

Also, by taking the lead in anti-Trujillo opposition and by exhibiting a potential for mob action, the MPD has strengthened its bargaining position for significant influence in any coalition of opposition groups. It is already seeking to ally itself with the clandestine "14th of June Movement," a group of undetermined political orientation with at least some membership in the middle class.

The 7 July violence completely overshadowed the initial efforts by three leaders of the Dominican Revolutionary party (PRD) to form an organization within the Dominican Republic. The PRD, a party of Dominican exiles with branches in the United States, Venezuela, and elsewhere in the Caribbean area, has close ties with such reformist Latin American leaders as Venezuelan President Betancourt and former Costa Rican President Figueres.

The three leaders returned, after decades in exile, on 5 July after securing guarantees from Balaguer that they would be permitted to campaign freely for the promised elections next May. Public gatherings addressed by the PRD leaders were organized by the MPD, which quickly stole the show. A radio program from Cuba--the first of a series entitled "Patria Libre" scheduled to be broadcast three times a week--strongly attacked the PRD leaders, and described them as "notorious agents" of the US State Department and the FBI.

The potentially strong, basically moderate, opposition elements among the Dominican middle class--the principal victims of past Trujillo terror--will remain wary of playing an active political role as long as the police state structure remains intact.

The American consul, however, was informed on 10 July "in the strictest confidence," that a group of moderate professional and business people plans shortly to form a "Civic Front for National Unity." The group, dedicated to encouraging reforms that would make free elections possible, would be anti-Castro as well as anti-Trujillo. It would not become a political party or participate in the election unless or until convinced that free elections are possible. The American consul believes that the formation of this group would mean a marked improvement in the political situation.

On the day following the riots, President Balaguer told the American consul that he was contemplating action against MPD leaders. He said MPD leader Maximo Lopez Molina had announced to the press that 14 members of the organization would shortly arrive in the Dominican Republic from Cuba. Balaguer proposes to deny entry to these persons as well as to any person coming from Cuba "or other Communist-dominated countries." In addition, Balaguer said he intends to deport to Cuba Lopez Molina, other MPD leaders who had come from Cuba, and those

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

responsible for the Radio Caribe fire. He repeatedly stressed that he intended to act "within the law" and that the responsible opposition, in which he specifically included the PRD, would "enjoy constitutional rights."

In attempting to deal with the MPD threat without reversing his cautious efforts to create a more democratic climate in the country, Balaguer faces a delicate task. Undoubtedly, the 7 July riots increased pressure within the regime for a return to past repressive tactics against all opposition. The violent reprisals on 7 and 8 July against the MPD by the police and by mobs organized by the government-controlled Dominican party were reminiscent of tactics employed by the late dictator and revealed that the old police mechanism remains basically unchanged.

The American consul noted on 3 July that the steps taken by the regime up to that point to reform the Trujillo system were "encouraging," but he warned that their net effect should not be exaggerated. The most important reforms have been in the economic field and appear to reflect at least a temporary reversal of the late dictator's concerted effort during the last year of his life to destroy the economic base of the middle class. Trujillo family monopolies in coffee and cocoa exports have been broken up. Prices have been cut on certain foodstuffs and utilities, and consumers are commenting that the reductions are by the same amounts that formerly went to Trujillo.

Until the violence of 7 July, no new political arrests or tortures had been reported for two weeks and activities by the secret police had been much less evident. General Arturo Espailat, one of the most brutal and corrupt Trujillo henchmen, has been stripped of all military and government posts.

The new cabinet appointed by Balaguer on 5 July replaced the one installed by the late dictator and appears to be made up of men of Balaguer's choice. None of the new appointees except the armed forces secretary is believed intimately linked to the Trujillo family. The new foreign minister, Ambrosio Alvarez, is a lawyer and former member of the Dominican UN delegation who has had many years of experience in the Foreign Ministry. American officials have found him friendly and cooperative in the past. The appointees include no leading anti-Trujillo figures, but at least two of them are close relatives of dissidents implicated in opposition plotting last year.

Although President Balaguer has assured American officials that he intends to be President in fact as well as in name, it is still unknown how much liberation will be permitted by General Ramfis Trujillo, who retains the dominant position of power in the regime. General Marte, who as secretary for the armed forces is first in line of succession to the presidency, is described as a "semiliterate strong-armed thug" completely trusted by the Trujillo family.

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**SOVIET INDUSTRIAL CONSTRUCTION LAGS**

Problems of industrial construction, particularly in the chemical industry, have evidently become serious enough in at least three major areas of the Soviet Union to require the di-

rect intervention of one of Moscow's top economic trouble shooters, A. N. Kosygin. Kosygin's trip last month to construction sites and factories in Kuybyshev, Saratov, and Kemerovo oblasts

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was probably intended to give him a chance to investigate at first hand the inefficiencies and shortages of building materials and equipment which have plagued the construction program at various locations throughout the country.

One objective of Kosygin's trip may have been to head off the possibility of a disturbance similar to that which occurred in Karaganda in 1959 when military action was required to end a strike over poor working and living conditions. This is suggested by a letter published on 16 June in an official Soviet construction newspaper.

The letter, signed by 19 construction workers and officials, spoke bitterly of "madhouse" conditions at Kuybyshev construction sites. It complained about shortcomings in planning work schedules, about supply failures which caused illegal requisitioning, and about lack of coordination between local and national organizations. It blamed primarily the local construction directorate and asked whether there were such conditions elsewhere.

Kosygin's stay in Kemerovo was accompanied by a press article reporting nonfulfillment of the 1960 construction plan in that area and lags in the 42 "especially important projects" there. Poor working and living conditions were suggested by the statement that last year, in one construction trust in Stalinsk, 3,348 workers were hired but 1,918 quit.

There have also been specific reports of lagging con-

struction in Saratov Oblast. All three areas are undergoing rapid industrial expansion, and each has several installations with substantial military assignments.

While Kosygin visited several types of industrial construction sites in each area, he seemed to concentrate on the chemical industry, in which construction difficulties have been pronounced. Just prior to Kosygin's trip the chairman of the State Committee of Chemistry warned that only ten of 68 projects slated for top-priority effort this year were on schedule at the end of April.

Large investments in the chemical industry in the first two years of the Seven-Year Plan have resulted in significant production increases, but these are still short of the 15-16 percent rate of increase needed annually to meet the plan. The industry has been harassed by a continual lag in development of new technological processes, sporadic shortages of skilled labor and electric power, shortcomings in planning, and shortages of chemical equipment.

An early repercussion of Kosygin's trip was the firing of a secretary of the party committee for the city of Kuybyshev for allowing his brother to build a personal dacha with state building materials and labor. Before it has run its course, the purge there will probably involve party and government leaders of both the city and oblast, including the sovnarkhoz and the police. Similar purges will probably take place in the other two areas. [REDACTED]

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****PARTY JOURNAL CLARIFIES SOVIET AGRICULTURAL POLICY**

The late May issue of the authoritative party journal Kommunist came out against the wholesale conversion of collective farms into state farms, apparently setting the official line in the high-level controversy over the development of the Soviet farm system. As a result, the pace of conversions --except possibly in the crucial New Lands and in areas around large cities--will probably slow down from the high rate reported for 1960. Pressures to tailor the collective farm (kolkhoz) more closely to the state farm (sovkhos) pattern may also lessen for the time being.

Communist ideology has usually maintained that state farms are more efficient than collective farms and closer to the ideal "all-national" property. Some economists have been arguing that because the USSR has entered the "transition to communism," it is time to speed the rate of conversions to the "higher" state farm model, and that this will solve the chronic problem of unprosperous kolkhozes. Some officials began pushing conversions, with the result that the number of state farms jumped from 6,500 to 7,400 in 1960. First-quarter reports for 1961 indicate that conversions in the New Lands have continued at a high rate.

Dmitry Polyansky, party presidium member and premier of the R3FSR, attacked mass conversions in his speech to the central committee plenum in January, but the issue apparently was not resolved at that time. Other high officials have recently condemned the practice of converting weak kolkhozes into state farms in order to shift to the state the burden of improving their economy. Press articles are again pointing out the comparatively high costs and low yields of state farms in important agricultural areas.

In May, Kommunist threw its weight to the side of those officials and economists who support vigorous development of collective farms--along with the state farms--for some time to come.

Kommunist declared the tendency toward "indiscriminate" conversions to be "deeply incorrect" and argued that its proponents ignore the great potentialities which the kolkhoz system still has for increasing agriculture output. These people also were said to ignore "the high state expenditures necessary for such a reorganization." The journal cited Khrushchev's speech to the 21st party congress to the effect that collective and state farms would eventually be merged by gradually transforming the collective farms into a new, still undefined, organizational form through interkolkhoz cooperation and larger allocations of farm income to capital investments.

Kommunist even argued that the time for eliminating kolkhoz private plots--a definite Communist goal--"has not yet come and will not come as soon as some people imagine." At present, when many kolkhozes cannot guarantee their farmers sufficiently high incomes from the communal sector and when many towns still depend on private plots for food supplies, some overly zealous officials have added to agricultural difficulties by arbitrarily cutting back private farming.

Kommunist, along with Party Life, has also rejected as premature the drive--which gained momentum in 1959--to make kolkhozes resemble sovkhos by paying collective farmers the guaranteed monthly cash wages of state farm workers. Kommunist attacked the "incorrect view" that the distribution of collective farm income on the basis of "labor days" impedes growth and that high monthly cash payments--as yet accomplished on only relatively few farms--are a universal cure. It argued that the introduction of monthly cash wages has led to losses on weak kolkhozes which lack steady cash reserves. Many of these farms have had to return to the "labor-day" system.  (Con-

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

## EAST GERMAN MOVES TO COUNTER EVANGELICAL CHURCH CONGRESS

East Germany is stepping up its moves against the Evangelical Church's all-German congress (Kirchentag) scheduled to meet in West Berlin from 19 to 23 July. In an effort to reduce attendance by East and West Germans, with the ultimate aim of weakening the ties between church congregations in East and West Germany, the regime has opened a campaign of threats and "persuasion" against church officials and laymen to induce them to boycott the congress on grounds that the meeting is a "cold war" tactic of "militaristic" West German clergymen. It has also refused to run special trains for West German participants; no measures barring bus or air travel have been announced to date. However, West Berlin officials are making tentative plans for some 50 special flights to Berlin in the event East Germany stops buses chartered for Kirchentag delegates.

On 8 July, the East Berlin police president formally banned sessions of the Kirchentag in the Soviet sector--a move designed to silence claims of church members that no East German law forbids them to attend. The new measure does not, however, indicate whether the regime will forbid religious services in the Evangelical cathedral in East Berlin, a step it has been reluctant to take. Church officials have canceled all but religious services in East Berlin.

On 11 July, apparently pursuant to the new order, East German police in Rostock District halted Bishop Friedrich Krummacher of Greifswald and seized his identity card, on grounds that he was en route to Berlin to attend a pre-Kirchentag meeting, which was prohibited. Krummacher was actually going to a meeting of the East German bishops' conference, of which he is chairman.

Instead of intimidating the East German clergy, the move may have had the opposite effect: Bishop Moritz Mitzenheim, generally considered pro-regime, reportedly sent a letter to Premier Grotewohl, "in the name of all the representatives of the church" in East Germany, protesting against "this measure restricting a bishop in his duty, even though the measure has meantime been withdrawn"--presumably by returning his identity card. Nevertheless, the authorities will probably attempt to confiscate laymen's identity documents to keep them from traveling to Berlin.

In its efforts to undercut the congress, the regime is handicapped by a desire to present an image of tolerance and reasonableness in support of the Soviet campaign for a negotiated settlement on West Berlin. There is even a possibility that the reversal of the police measures against Krummacher stemmed from Soviet action.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

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Pastors are said to have complained to Soviet Embassy officials investigating worker unrest at the Hennigsdorf plant near Berlin that the campaign against the Kirchentag was contributing to unrest. The Soviet diplomats reportedly said Hennigsdorf workers would not be molested if they attended the Kirchentag.

Under other circumstances, the East German government probably would use the congress as

an occasion for a showdown with the Evangelical Church--the only significant remaining all-German institution. In the absence of specific Soviet assent to harsher measures, however, the regime may limit its harassments to coercion of its own population, barring selected West Germans from traveling by road or rail to West Berlin, and imposing stronger controls at the Berlin sectors borders to reduce attendance at Kirchentag meetings.

## SINO-SOVIET RIVALRY IN ASIA

Heightened activity by Moscow and Peiping in relation to the Asian Communist parties during the past few months reflects the continued strain in Sino-Soviet relations, now expressed in increased political and economic rivalry rather than in the doctrinal debates which characterized the peak of the dispute last year. Both powers apparently recognized the dangers to the international Communist movement inherent in the intemperate and open exchanges of last year and seem to have agreed at the Moscow conference in November to keep direct attacks at a minimum. Since then the two countries have carried their difference forward by vying for support from individual Communist parties and regimes.

While the Chinese were not able to move the larger Eastern European Communist parties away from close support for the Soviet Union, they can consider Albania's opposition to Khrushchev's general policies a signal success. In addition, China has significantly increased its influence over the past few

years among the Asian satellites. Now Moscow, with the example of Albania fresh in mind, has apparently turned its attention to the task of consolidating its position with the important Communist parties of Asia.

The current attendance by party presidium member M. A. Suslov at the Mongolian Communist party's 14th party congress and the 40th anniversary of the Mongolian People's Republic is merely the latest in a series of bilateral visits between the Soviet party and various Asian Communist parties. Suslov also attended the Indian Communist party congress last April; Deputy Premier Kosygin made a surprise visit to North Korea in early June, which North Korea's Premier Kim Il-sung and an unusually strong delegation returned in early July; both Indonesian Communist party leader Aidit and North Vietnamese Premier Pham Van Dong were made much of by all top Soviet leaders when they visited Moscow in June; and presidium member N. A. Mukhitdinov is scheduled to be present at the

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

Japanese Communist party congress at the end of this month.

Suslov was the only important foreign Communist to attend the Indian party congress, and he apparently played an important role. Moderate elements backed by Moscow made important gains, which they consolidated in the elections to the party's two top committees later in June. The results of the congress and the make-up of the new leading bodies could hardly be looked upon with favor by Peiping.

Moscow next turned its attention to North Korea, and the rapid exchange of high-level delegations resulted in the announcement on 6 July of a mutual defense treaty formally committing the USSR to defend North Korea in the event of attack. Pyongyang has long desired a stronger Soviet commitment than Moscow has heretofore seemed willing to give. During his visit to North Korea, Kosygin had set the new tone by emphasizing Moscow's unwavering support for North Korea's reunification program.

Kim Il-sung's earlier dissatisfaction with Moscow was possibly reflected in his failure to attend the Moscow conference last November. During the public Sino-Soviet dispute preceding the conference, North Korean editorial comment appeared sympathetic to the Chinese Communist viewpoint on a variety of issues, and at the conference the North Korean delegate reportedly provided valuable support for China on these issues.

Peiping's extension of a \$105,000,000 loan to Pyongyang in early October was still further evidence of its intention to stimulate North Korean sym-

pathy and support. The conclusion of the mutual defense treaty between the USSR and North Korea clearly reflects Moscow's desire to counter Peiping's influence there as well as Moscow's intention to appear responsive to Pyongyang's desire for greater Soviet support.

The formal treaty, which included a pledge to consult on all important international questions and to refrain from "participating in any coalitions or actions or measures directed" against the other party, also agreed to "develop and strengthen" economic ties between the two countries. On his trip to North Korea, Kosygin was accompanied by Moscow's top negotiator for long-term economic programs with bloc countries, and recent announcements have indicated that an agreement has been concluded on the granting of new Soviet credits to North Korea.

Currently Moscow is devoting much attention to the 40th anniversary of the Mongolian People's Republic. Not only is Suslov lending his prestige to the occasion but Poland's Gomulka, a staunch supporter of the Soviet Union, is also in attendance. The material being presented by Moscow on the celebration stands in sharp contrast to the paucity of its coverage of the recent 40th anniversary of the Chinese party, and the message of the Soviet party to the Mongolian central committee provides an equally sharp contrast to the carefully phrased, formal message to the Chinese party.

An analysis of the messages sent by bloc parties to the Chinese party on its 40th anniversary gives an accurate index of their positions in the dispute. The range is from Albania, which adopted the Chinese line on many

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

points in a manner offensive to the USSR; through North Korea and North Vietnam, which were warm toward China but not in the Albanian manner; to the remaining East European satellites, which were distinctly cool toward China. Mongolia carefully reserved its position by sending a very short innocuous telegram.

Peiping's actions during this same period indicate that it has no intention of standing idly by while the USSR tries to bolster its position among the Asian parties at Chinese expense. Pham Van Dong was warmly received when he made Peiping the first stop on his current bloc tour. A group of Japanese Communist leaders followed shortly and were given red-carpet treatment by Chinese leaders. The Chinese very likely took advantage of this opportunity to press their view of the proper program the Japanese party should adopt at its congress later this month. The Chinese are reportedly planning to send the highest ranking delegation Peiping has ever sent to a Communist gathering outside the bloc.

Earlier Peiping went to considerable lengths to impress the leader of the Indonesian party, Aidit, who had just visited Moscow. Like the Japanese, Aidit was honored with an audience with Mao Tse-tung, and the Chinese did not even scruple at displaying Aidit prominently at functions in Peiping honoring Sukarno. According to one report, the Chinese treated the Indonesian Communist leader as though he ranked just below Sukarno.

The most dramatic Chinese move was the quick reaction to the 6 July Soviet - North Korean

mutual defense pact. Chinese Foreign Minister Chen Yi was in Moscow en route home from the Geneva conference when the Soviet-Korean treaty was announced. He conferred with Kim Il-sung the day of the signing and, on the following day, it was announced that Kim would pay a visit to Peiping, although that capital was not on his original itinerary. When Kim arrived in Peiping on 10 July, the Chinese turned out all their top leaders except Mao to give him a warm welcome, and half a million flag-waving Chinese cheered him on his way from the airport to the city. On 11 July the Chinese signed a mutual defense pact with North Korea which is virtually identical with the one Kim had just signed in Moscow.

Like the Soviet pact, the Chinese treaty with North Korea mentions economic assistance, and it is possible that the Chinese, despite acute economic problems at home, may try to match the new aid Kim got in Moscow. Soviet aid to North Korea has amounted to at least \$700,000,000, mostly for economic construction. Chinese economic aid has totaled about \$400,000,000, including the \$105,000,000 credit extended last fall.

While both the Chinese and the Soviets seem to be at pains to counter Western speculations of Sino-Soviet competition in this area, no protestations of "unity" can submerge the clear signs of their rivalry. A setback to Khrushchev on the Berlin issue or the content of the new party program which Khrushchev intends to present to the Soviet party congress in October might lead Peiping to bring the dispute once more into the open.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****ECONOMIC DEVELOPMENTS IN COMMUNIST CHINA**

The official silence surrounding economic developments in Communist China since last year continues to obscure the serious difficulties that grip both industry and agriculture. The regime apparently is still taking stock of industry, adjusting to its changed economic relationship with the USSR, and awaiting the results of the 1961 harvest before moving on to plans for further development.

In industry, indications are that recovery from the excesses of the "leap forward" period is not proving easy. Reports of production slowdowns and stoppages at individual plants began to appear in 1960 and have been more numerous in 1961. Official statements continue to reflect problems with raw material shortages, labor, and equipment. Production at the Tangshan cement plant, China's largest, is reported to have dropped in 1961 to a "small proportion" of normal. Machinery breakdowns and raw material shortages reportedly caused the closing of two large paper mills, and several rayon plants and tire factories earlier this year. Numerous production stoppages, sometimes of extensive duration, have been reported from the textile center of Shanghai.

There is little information on the situation in heavy industry, but statements from Peiping concerning a "large-scale" campaign to overhaul equipment in the iron and steel industry,

together with a switch to emphasis on quality rather than quantity, are interpreted to mean that steel production is down compared with the same period in 1960. Peiping has also complained of a lag in the extractive industries, especially for coal and iron ore, and warned of the possibility that these industries might fall "further behind" the demands of processing industries.

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Peiping has also curtailed new construction in industry. Imports of machinery from the bloc--usually an important source of capital equipment--probably will fall more than 50 percent below the 1959 level in 1961.

The current retrenchment program in industry--beyond an outright suspension of production at certain plants--probably entails significant slowdowns throughout industry in order to rebuild stockpiles of fuel and raw materials and make major equipment overhauls. This program and the continuing shortages of raw materials, parts, and manpower--including the depressive effect of food shortages on labor productivity--appear to characterize the situation in industry so far in 1961. Peiping has not yet announced its industrial goals for this year, but there will probably be little or no increase in heavy industrial production and significant declines in light industrial output, with total industrial output in 1961 probably below that in 1960.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****TURKEY'S CONSTITUTIONAL REFERENDUM**

Approval of the new Turkish constitution in a national referendum on 9 July is a major step toward an eventual return to representative government. General Gursel--Chief of State and leader of the ruling military junta, the Committee of National Union (CNU), since last year's military coup--again promised parliamentary elections by mid-October in a statement issued on 7 July. According to present plans, the government will revert to civilian control immediately following elections.

According to nearly complete official returns, approximately 80 percent of the eligible voters went to the polls, and the constitution was approved by about 60 percent of the votes cast--far below the percentage desired by the CNU, which had hoped to use the referendum as a vote of confidence. Reports immediately prior to the referendum, however, indicated concern within the government about getting approval by even a bare majority.

The CNU and most political parties had made an intensive effort to secure a large affirmative vote. CNU members visited various parts of the country speaking in support of the new constitution. The largest political party, the Republican People's Party (RPP), organized public meetings to acquaint the people with provisions of the constitution, and its leaders called for an overwhelming "yes" vote. Leaders of several smaller parties which will participate in the forthcoming elections also called for approval by the electorate.

Only the new Justice party (JP) gave less than full support to the constitution; its leaders charged that the document contained faults but emphasized that the final decision was up to the people. However, the party's General Administrative Board announced that it favored acceptance.

The results of the referendum reflect both general voter apathy and, apparently, considerable disillusionment with the handling of government affairs during the past year by the CNU. They can also be taken as indicating continued opposition to the RPP and its anticipated return to power following the elections. The RPP was the ruling party after the Turkish revolution until 1950.

Many of those opposed to both the CNU and the RPP are former supporters of the Democratic party (DP) of Adnan Menderes and Celal Bayar, ousted by the military coup in 1960. The largest number of negative votes in the referendum--in 11 of Turkey's 67 districts a majority of the vote--came from former DP strongholds. The DP was outlawed following the coup and many of its supporters are believed to have joined the Justice Party.

Trials of the DP leaders continue but it now appears probable that they will end within a few weeks. Death sentences for many of the former leaders have been anticipated, and there is a continuing possibility of serious disorders if executions are carried out.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****POLITICAL STRIFE LIKELY IN NORTHERN RHODESIA**

African nationalists in Northern Rhodesia have called for a program of "immediate positive action" to protest recent British proposals for a constitution for the protectorate. The program is likely to involve strikes and boycotts. Kenneth Kaunda, leader of the United National Independence party (UNIP), and his associates have urged their followers to refrain from violence. However, influential extremists within the party, although they have subordinated themselves to Kaunda's program in public, continue to press in private for a more active campaign.

Kaunda, moreover, is incensed at his recent detention by Federation of Rhodesia and Nyasaland officials at Salisbury airport on his return from an African nationalist meeting in Accra. He may, therefore, be less willing than in the past to advocate moderation.

The British constitutional proposals envisage an extremely complicated electoral system-- a Labor party spokesman termed it a "dog's breakfast"--which is designed to paper over racial differences and to give the balance of power to moderates of both races. The implications of these proposals hinge on several unknowns, notably the final delimitation of constituencies. However, it appears that, while the constitution as originally outlined gave a slight edge to the UNIP and to Africans sympathizing with it, the revisions are shaded in favor of Sir Roy Welensky's

white-dominated United Federal Party (UFP) and conservative Africans whose following among members of their own race is minimal.

Since the protectorate's other white-led parties have shown little vote-getting ability, the UFP is likely to dominate the European sector of the electorate. UNIP, however, faces a strong challenge within the African community from the African National Congress, which demonstrated its continuing strength at a recent by-election, and possibly from extremists in its own ranks. Since the constitutional proposals hold out the possibility that the UFP may pick up a few African seats in addition to those representing its European membership, the UNIP is faced with the possibility of running a poor second in any elections. The "positive action" campaign is an attempt to persuade the British to shift the balance again.

American officials estimated that the UNIP has between 300,000 and 400,000 dues-paying members and that nearly a million additional Africans would follow its lead. It has extended its influence deep into the rich copperbelt area and dominates the African mine workers' union. It probably could disrupt much of the Northern Rhodesian economy for a short period, particularly if it can mobilize the mine workers behind its political aims. Nevertheless, Britain probably will try to impose the revised constitution, even if the arrangements cannot last long without African support.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

THE COMMON MARKET AND AFRICA

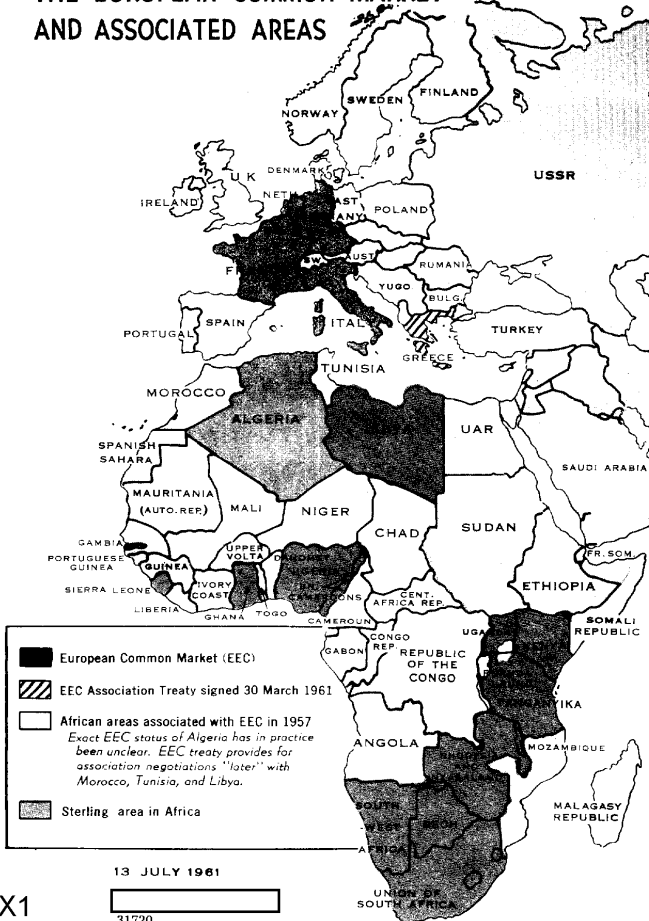
Considerable progress has been made in the last few weeks in preparation for the renegotiation of the 1957 convention which links the former French, Italian, and Belgian territories of Africa with the European Common Market (EEC). Sixteen of these seventeen countries--all of which have acquired full independence in the last four years--seem interested in extending their ties with the EEC after the present convention expires next year. They are, however, demanding full political equality with their EEC partners, and they may insist on continued preferential access to the EEC, despite the major disadvantages this may involve for competitors, notably in Latin America.

Of the various recent EEC-African contacts looking toward formal talks later this year, the most significant appears to have been the joint parliamentary meeting in Strasbourg late last month. It was attended by representatives of the EEC assembly and by more than 100 members of African parliaments, and was characterized by unusual unity among the Africans in presenting their demands and by eagerness on the part of the Europeans to satisfy them. As a result, a five-point resolution was unanimously approved calling for negotiation of a series of new associative conventions, creation of new EEC-African institutions, and intensification of economic, technical, and cultural cooperation.

Most observers consider this a hopeful outcome, but it was achieved at least in part by skipping rather lightly over some problems. The Africans endorsed the idea, for example, that the association should be open to all African states, but --possibly with French coaching-- added the proviso that no associate could also belong to another economic grouping having "incompatible objectives." In effect, this would permit Ethiopia or Liberia to seek EEC association, but would exclude Nigeria as long as it is a member of the Commonwealth. It is apparently still assumed that, in the event Britain joins the Common Market, EEC and Commonwealth preferences enjoyed by the Africans will somehow be merged.

Moreover, the conference left vague how deeply committed to retention of tariff preferences the Africans themselves may feel. Although the final resolution declared that the "principle of preferential tariffs cannot be placed in question," it also urged that economic cooperation be promoted through stabilization of prices of tropical products and establishment of systems of minimum

THE EUROPEAN COMMON MARKET AND ASSOCIATED AREAS



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market guarantees--which might be alternatives to the preference system. One African delegate suggested that preferential arrangements implied "economic dependence" and should therefore be dropped.

The Africans, therefore, may not be as wedded to preferences as the French have claimed, but it remains questionable whether substitutes will be given serious consideration. Paris is already reacting negatively to

the US proposal that a study group be established to consider a "resources stabilization fund" which would make compensatory payments to countries producing five major tropical products in lieu of preferences on these commodities.

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#### BRITAIN TO CUT OVERSEAS SPENDING

Because of an increasingly adverse balance-of-payments position, London is planning to trim spending overseas at the risk of jeopardizing established military and economic aid policies. In the first quarter of 1961 the estimated balance-of-payments deficit reached an annual rate of \$750,000,000 and in the year's first half--normally a favorable time--Britain's gold and dollar reserves fell by \$450,000,000.

The Macmillan government has been no more successful than its predecessors in stimulating the slow-growing British economy. It has apparently concluded that entry into the Common Market would help. As an immediate palliative, new measures to restrict domestic consumer demand will probably be introduced this month. Chancellor of the Exchequer Lloyd in late June called for reducing government spending overseas, especially military spending in areas where foreign exchange problems are involved.

That half of Britain's overseas forces stationed in Germany accounts for almost all of the \$220,000,000 spent annually for military needs outside the sterling area. The Anglo-German arms purchase agreement concluded in late May apparently has done little to reduce the urgency London attaches to the problem; Bonn's announcement on 5 July that it would spend \$7,500,000 annually for five years on a European space

project based on Britain's Blue Streak missile will not fully satisfy London's needs.

The Macmillan government may be expected to press new requests for Bonn to offset the costs of maintaining the British Army of the Rhine; it will warn, despite agreement in principle on the desirability of building up NATO's conventional forces, that it may withdraw some of its 55,000 men if such aid is not forthcoming.

Britain's intention to provide increasing amounts of economic aid to underdeveloped countries, especially in the Commonwealth, is also threatened. A British discussion with OECD experts in Paris on 3 July brought general agreement that London should slow down the increase in aid. Although in his April budget speech Lloyd anticipated an increase in the \$420,000,000 provided in grants and loans for underdeveloped areas last year, it now is evident that new aid proposals will come under extremely close scrutiny.

The US Embassy in London notes, however, that the British payments picture changes quickly and that British policy could be altered by evidence of higher productivity as a result of recent investment, by better prices for sterling area commodities, and by improved markets in the United States and Europe.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

SPECIAL ARTICLES

## MORALE IN COMMUNIST CHINA

Peiping's economic setbacks of the past two years have resulted in a general erosion of public confidence in the regime. The promises made in 1958 for a better future after "three years of bitter struggle" are unfulfilled. The food shortages of the past year have made the people realize that living standards are falling, not rising. The constant shifts in policy--although officially justified as the "dialectic" in action--confuse minor officials. The armed forces receive preferential treatment in the form of better rations and are almost certainly dependable, but there have been several reports of sympathy shown by soldiers for the plight of civilians.

The Peasantry

Despite the regime's attempt to put the whole blame for the food shortages on "natural calamities," it is obvious to the peasant that much of the difficulty stems from official mismanagement. The communes were bureaucratically top-heavy, agricultural labor was diverted to pretentious but economically unsound projects, and farmers were given little authority or incentive. There are many reports that the implementation of Mao Tse-tung's "eight-point charter" for agriculture--which called for such labor-intensive practices as deeper plowing and closer planting--decreased crop yields in many localities despite the additional work required of the farmers. The farmers became

discouraged by unrelenting pressure to put forth exhausting efforts which produced no real gains, and a general apathy and sullenness pervaded the countryside.

The food situation deteriorated to such a point by early 1961 that many peasants--as well as many urban dwellers--were reduced to rations insufficient to maintain health. At this point discipline in rural areas apparently began to break down. Many refugees reported a sharp rise in the incidence of petty theft--mainly of food--as well as sit-down and go-slow strikes. There was much open grumbling and general defiance of the local authorities.

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Peiping's present inclination is to take a conciliatory attitude toward the peasants, realizing that persistence of their present attitudes would defeat all measures to improve the food situation. Last September a 12-point directive was issued which ordered "readjustments" in the commune system. The reforms include prohibitions against the use of force by officials, insistence that the peasants be allowed eight hours of sleep a night, compensation for property confiscated when the communes were established, and permission to cultivate private plots. The peasants welcome the reforms but remain

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skeptical of whether they will actually be implemented in light of previous experience with fluctuations in the party line.

Intelligentsia and Students

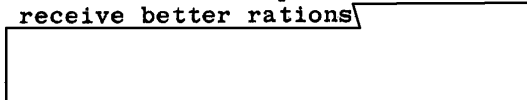
In 1956-57, during the brief period of liberalization --under the slogan "let a hundred flowers bloom, let a hundred schools of thought contend"--criticism of the regime and party was condoned. The slogan let loose a deluge of antiregime commentary which appalled the leadership. The result was an abrupt halt to liberalization in the summer of 1957 and a ruthless "anti-rightist" repression during which many intellectuals were imprisoned.

Since then Chinese intellectuals have been careful to conceal their antiregime sentiments. The regime, for its part, retains a certain wariness of the intellectuals for not having "surrendered their hearts to the party." The National Congress of Writers and Artists held last August emphasized the urgent need to eliminate remnants of bourgeois influence among the intelligentsia and in general to promote strict conformity with official views.

Peiping's current policy is to ease restraints slightly but to guide debate carefully. The 1 March issue of Red Flag revealed that the party was reviving its ill-fated "hundred flowers" slogan. Conscious of the cynicism which attaches to that slogan, however, Peiping, has added a new catch-phrase--the "meeting of immortals."

Leading academic figures are invited to informal seminars of several days' duration designed to bring out a general endorsement of "correct" standpoints in the arts and sciences. To this end the meetings are presided over by trusted party officials who are enjoined to avoid coercive techniques and rather to allow an atmosphere of "gentle breeze and mild rain." Peiping claims that much fruitful work has been accomplished in this manner. The indications, nevertheless, are that the intelligentsia remains suspect and circumspect.

There is only scattered evidence on the attitude of the students. Compared with the population as a whole, students are in a favored position and receive better rations



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tent. There was apparently widespread antipathy among students to the slogan "let politics take command," which discounted professional aptitude and learning in favor of political reliability. Partly for this reason and partly to conserve the students' strength while rations were exceptionally short, the authorities dropped after-hours political indoctrination courses from the curriculum last winter.

In one of several known instances of antiregime activity on the part of students, a slogan was found posted on the wall

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

of a high school in Kwangtung. It compared Mao Tse-tung to Emperor Chin, who unified the country for the first time under a tyranny that ruthlessly redistributed the population, opened up virgin lands, burned books, and executed scholars.

### Party and Security Forces

Important as are attitudes in the country at large, morale in the party and army is the crucial factor in any assessment of the stability of present leadership. The basic commitment of these two key groups to the regime still appears strong, but there is some evidence of declining elan among enlisted men and members of party cadres, many of whom are sympathetic to the plight of the population.

Members of both the army and party cadres receive higher food rations than the ordinary citizen. Nonetheless both groups had their rations reduced last winter, and in some areas cadres were asked to set an example to the citizenry in volunteering to "save" grain. This move was probably predicated as much on the official desire to curb popular resentment as on the need to save food, but to a certain degree it backfired by stirring up discontent within the army and party.

Public security personnel in Canton reportedly complained of inability to do their work well after ration cuts, and military guards stationed near the Hong Kong border on occasion professed to be too tired and too hungry to chase villagers

trying to escape to the Crown Colony. There are numerous reports that low-level officials looked the other way when cases of petty theft came to their attention.

Such officials have always occupied an uncomfortable seat within the power structure. In case of trouble, they are blamed for "deviating" from the party line; when things are going well, Peiping takes the credit. Periodically the party launches rectification campaigns to "purify" its organization and make certain that policy is being correctly implemented.

Such a rectification program has been carried out during the last six months, aimed principally at those "well-intentioned" cadre members who had implemented directives in an overly zealous fashion--i.e., deviated to the "left." Investigation and objectivity have been the keynotes of the campaign. As a May issue of a Peiping newspaper says in advising the "cadre"--i.e., a reliable dynamic activist element in the party's program--he must "neither fabricate facts nor conceal them...in the process of reporting on the situation he must avoid taking imagination for truth, possibility for reality, parts for the whole, trees for the forest. Reporting false conditions...will certainly mislead the leadership and make it impossible to arrive at a correct judgment."

This line is difficult to reconcile with the pressure to falsify reports and statistics

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

during the "great leap forward" in 1958 and 1959. Anyone who reported actual conditions then and did not "take possibility for reality," would have risked condemnation for deviating to the "right."

The Leadership

Peiping's shift toward pragmatic policies has been reluctant. The decision to retrench was apparently made at an unannounced high-level meeting last July. An article by the regime's leading economic planner, Li Fu-chun, in the 15 August issue of Red Flag promulgated the new conservative line. "Readjustments" in the communes began shortly afterward, but the hard decision to import grain from the West was presumably not made until November, when the fall harvest was in.

The delay in official recognition of realities may reflect in part some divergencies among the top Chinese leaders, but the evidence is inferential or speculative.

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 received the general impression that the leaders are "all greatly worried by current problems and are beginning to get on each other's nerves." Teng Tzu-hui, head of the party's rural affairs committee, may also have been implying difficulty in getting agreement in top councils when he told a journalist last fall that the regime

had had to scrap its agricultural plan and would operate on an ad hoc basis until 1962.

The postponement of the National People's Congress until fall also suggests that the leaders have not yet been able to work out longer range plans. The Congress--Communist China's legislature--has served as the regime's annual public forum for announcing new programs.

There are other intimations of disagreements in the party in an ideological debate running through the theoretical journals during the past year between the pragmatists and the radicals. Couched in Communist jargon on the nature and role of "subjective activity," the controversy in essence is over recent propensities of the regime to disregard material limitations in its efforts to transform the Chinese economy. In the course of the debate the pendulum has swung back and forth several times; in the spring a temporary compromise was reached under the slogan "combine revolutionary zeal and the scientific spirit," but the most recent articles on the subject give the edge to the conservatives.

Whatever the differences among them, the debate suggests that the Chinese Communist leaders have been affected by the mood of the country, realize the population can be pushed no further for the moment, and are advancing a theoretical justification for the concessions they deem necessary.

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