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CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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CURRENT INTELLIGENCE WEEKLY SUMMARY

5 October 1961

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

EAST-WEST RELATIONS Page 1

Moscow's treatment of the Rusk-Gromyko conversations and its general commentary on the Berlin situation suggest that the Soviet leaders are confident that formal negotiations will be arranged. Pravda conveyed a favorable impression of the New York talks, and a Soviet public lecturer in Moscow has predicted the exchanges would be followed by negotiations ensuring a peaceful settlement. Soviet spokesmen have stated privately that the next few weeks will be decisive in determining the bloc's next moves and have hinted that the year-end deadline could be extended. A Soviet memorandum to the UN on partial disarmament steps and European security arrangements also was intended to strengthen the Soviet effort to obtain an agreement on negotiations by indicating a willingness to broaden the agenda of any East-West talks.

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UNITED NATIONS DEVELOPMENTS Page 4

Much of the UN activity during the 16th General Assembly--now in its third week of general debate--centers on private negotiations to avert a Chinese Nationalist veto of Mongolia's admission. Such a move would prevent Mauritania's entry and also have far-reaching consequences on Taipei's position in the United Nations. UN members are also attempting to break the deadlock between the Soviet bloc and the West over the appointment of an interim secretary general.

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SYRIA-EGYPT Page 5

Nasir's prestige appears to have sunk to an all-time low following Syria's break with the UAR. He had ordered contingency military preparations to permit rapid movement of Egyptian troops to Syria, but apparently has become less hopeful that a counterrevolt will take place to afford him the opportunity for direct military action in its support. He probably now will concentrate on a large-scale program of subversion against the new Syrian government and also try to accelerate the progress of his own revolutionary movement in other Arab countries. The Kuzbari government and the "Syrian Army Revolutionary Command" have consolidated their control and, in order to allay suspicion aroused by their rightist background, are attempting to conciliate public opinion by promising to continue and expand some of the social and economic reforms instituted by Nasir. The USSR is maintaining an officially noncommittal attitude toward the revolt, although its leaders probably see the split as an opportunity for renewed Communist activity in Syria.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

5 October 1961

CONGO Page 7

Little progress has been made in the negotiations between UN and Katanga representatives, and the situation in Elisabethville remains tense. Each side professes confidence in its military superiority and is preparing for possible further conflict. The stalemate apparently has produced further pressure on Adoula to order a Congolese offensive. The schism between moderate and Gizengist factions in the central government continues.

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LAOS Page 9

Souvanna Phouma, Souphannouvong, and Boun Oum are to meet at Ban Hin Heup on 6 October to resume negotiations for the establishment of a coalition government. General Phoumi has indicated that Vientiane is willing to accept Souvanna as premier if the coalition cabinet reflects a "proper balance." Kong Le - Pathet Lao forces continue "mop-up" operations against Meo units in the Plaine des Jarres area; Vientiane troops, meanwhile, are conducting patrols in central Laos. At Geneva, general agreement has been reached on the future role of the conference co-chairmen.

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FRANCE-ALGERIA Page 10

French-Algerian negotiations seem likely to be resumed soon, in view of the reportedly favorable reaction of the provisional Algerian government to De Gaulle's 2 October television address. In Algeria, however, tension between Europeans and Moslems remains high and is being stimulated by the rightist Secret Army Organization, which hopes to provoke enough violence to wreck any prospect of a negotiated settlement. While De Gaulle's threat to dissolve parliament and to reassume emergency powers has further antagonized his domestic critics, all except the extremists seem hesitant, because of the lack of a democratic alternative, to risk action which might overthrow him.

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FRANCO AND US BASES Page 12

General Franco's public statement on 1 October that "circumstances counsel revision" of the ten-year US-Spanish defense and bases agreement implies that he will soon press for new concessions. The treaty runs until September 1963, with a provision for automatic extension; any negotiations for revision would normally get under way in the next few months. Spanish officials have indicated for some time that they want more modern arms; more recently, in a separate development, they have pressed for US support of Spain's and Portugal's African policies.

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~~CONFIDENTIAL~~
~~SECRET~~

~~CONFIDENTIAL~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

5 October 1961

SOVIET DOMESTIC PROPAGANDA ON THE PROSPECTS OF WAR Page 13

Internal press and radio commentary associated with major tough Soviet statements addressed to the West have on several occasions aroused anxiety among the Soviet public. These have, in each case, been followed by efforts to allay domestic fear that war might be imminent. Some Soviet citizens seem to have developed a certain amount of indifference to official statements. Others, however, were undoubtedly perturbed by official statements that the international situation is serious but appear to accept the reassurances which have followed. There appears to be little doubt among the Soviet people that Khrushchev's position on the German question is just.

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CROP PROSPECTS IN THE SINO-SOVIET BLOC Page 15

Crop prospects for the Sino-Soviet bloc in 1961 are not outstanding and in some areas, notably Communist China, are particularly poor. China's prospects for a third successive unfavorable agricultural year indicate that food shortages--together with malnutrition and related health problems--will probably continue to plague the regime throughout the coming winter and spring.

With the exception of the New Lands, growing conditions for small grains were generally favorable in the USSR this year. Although expected to be 15 to 20 percent above the poor harvests of 1959 and 1960, this year's total grain harvest will still be below the bumper harvest of 1958, leaving the regime with little progress during the past three years toward its ambitious 1965 agricultural targets.

Total output of grain in the European satellites is estimated to be about the same as last year, largely because of a bumper crop in Poland. No basic improvement in the per capita availability of food is expected for the satellites in 1961/62. East Germany, Hungary, and Bulgaria will probably have the most difficulty in meeting consumer demands for foodstuffs.

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HOUSING PRIORITY LOWERED IN USSR Page 17

A newly published figure for housing construction in the USSR in 1960, significantly lower than that originally claimed in the official plan report, is a new indication of reduced priority for Soviet housing and casts doubt on the possibility of achieving the Seven-Year Plan (1959-65) for housing. A substantial underfulfillment of the plan in 1960 and subsequent housing data suggest that the Soviet regime decided in mid-1960 to sacrifice part of the popular housing program to other construction projects.

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HUNGARIAN FIVE-YEAR PLAN REVISED Page 18

Following above-plan performance in 1959 and 1960, the Hungarian regime has announced higher goals for production in certain industries and for national income in its

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CONFIDENTIAL
BRIEFS

~~CONFIDENTIAL~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

5 October 1961

Second Five-Year Plan (1961-65). Planned investments have been cut, however, allowing larger expenditures for military purposes and, possibly, for repaying foreign loans. The revised plan is generally conservative and probably will be fulfilled in its main aspects. [redacted]

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COMMUNIST CHINA CELEBRATES NATIONAL DAY Page 19

On 1 October the Chinese Communist regime went through the motions of celebrating the 12th anniversary of its founding, but in contrast to previous National Day celebrations the principal speechmakers made few boasts concerning the past year's achievements. Instead they spoke of "certain difficulties," "three successive years of grave natural calamities," and "a reduction of agricultural output," and said 1961 and 1962 would mark a period of economic consolidation and adjustment. On foreign policy matters, Peiping's tributes to Sino-Soviet friendship were met by unresponsive Soviet speeches and pro forma Soviet attendance at National Day functions in both Peiping and Moscow. [redacted]

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PEIPING'S RELATIONS WITH JAPAN Page 20

Communist China has in recent weeks engaged in a propaganda campaign of growing shrillness against the Japanese Government. Reacting to what it considers Prime Minister Ikeda's increasing hostility, Peiping now calls him "worse than" his predecessor, Kishi. Annoyed with Japanese Socialists for their new coolness toward united front tactics with Japanese Communists in anti-US activities, Peiping is casting about for new leftist channels through which to influence Japanese politics. [redacted]

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FACTIONALISM IN SOUTH KOREAN REGIME Page 22

Factional struggle threatens the stability of South Korea's ruling military council. Security boss Col. Kim Chong-pil, whose followers tend to favor protracted military rule and a state-operated economy, is pressing for the removal of the council's vice chairman, Maj. Gen. Yi Chu-il, whose group appears to want a more moderate approach to the country's difficulties. The chairman of the council, Lt. Gen. Pak Chong-hui, is believed to be working to avoid a showdown. [redacted]

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GHANA Page 23

The regime's arrest on 3 October of prominent political adversaries and leaders of the union which spearheaded last month's strikes underscores Nkrumah's determination to forestall the emergence of any effective opposition movement. The arrests, along with the removal of K. A. Gbedemah from the cabinet last week, have stimulated new discontent with Nkrumah's leadership, especially among labor elements. However, Nkrumah's move may intimidate into inaction Gbedemah and other moderates within the ruling party who appeared to be moving toward open opposition. [redacted]

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~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

5 October 1961

BRITAIN AND THE COMMON MARKET Page 25

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London has agreed to outline to a preliminary ministerial meeting to be held in Paris on 10 and 11 October the specific concessions it seeks before joining the European Common Market (EEC). Criticism of British accession by other Commonwealth members has sharpened in recent weeks. The Macmillan government may find it increasingly difficult to reconcile the general assurances it has given the Commonwealth and British agricultural interests with an approach to the EEC that is sufficiently forthcoming to give the formal negotiations a good start early in November.

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CUBA Page 26

President Dorticos' month-long trip to the bloc has elicited extensive propaganda support for Cuba and paved the way for negotiations on Cuba's 1962 trade with the bloc. Continuing executions in Cuba and Cuban subversion abroad may increase Latin American distaste for the Castro regime, but Brazil has recently indicated its opposition to any multilateral action against Havana.

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EL SALVADOR Page 27

El Salvador's provisional military government is making preparations for election of a constituent assembly in December and is developing a party organization for this purpose. It continues resolved to carry out its program of basic socio-economic reform; concessions made last week to powerful landowning families on a decree favoring agricultural laborers were probably only a tactical maneuver in the pre-electoral period.

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SPECIAL ARTICLES

SOVIET TRANSPORTS IN THE WORLD AVIATION MARKET Page 1

There are few important differences in speed, range, and carrying capacity between the jet and turboprop transport aircraft of the USSR and comparable Western models. Western aircraft, however, are generally superior in fuel economy, cost of maintenance, durability, safety, and comfort. In order to sell its planes to non-Communist countries, Moscow has offered them at reduced prices and has emphasized favorable credit terms. Some of the newer Soviet models, smaller and more economical than the earlier planes, will probably be fairly widely accepted abroad.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

5 October 1961

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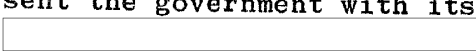


CYPRUS AFTER A YEAR OF INDEPENDENCE Page 9

Cyprus is experiencing large-scale unemployment, a serious drought, increasing violence, and the growing influence of a domestic Communist party. Greek Cypriot extremists continue to demand union with Greece, and some members of the Turkish minority are again coming to feel that partition of the island is the "final answer" for communal problems. The government continues to function effectively, however, and both President Makarios and Vice President Kuchuk appear determined to make the Cyprus settlement work. Makarios, in the face of Turkish Cypriot objections, is pursuing a "nonaligned" foreign policy but--as indicated by his remarks at the recent Belgrade conference--with an awareness of Cypriot economic dependence on and cultural affinity for the West. Combating the continued growth of Communism appears to present the government with its greatest challenge.

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CONFIDENTIAL



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CURRENT INTELLIGENCE WEEKLY SUMMARY

WEEKLY REVIEW

EAST-WEST RELATIONS

Moscow's treatment of the conversations between Secretary Rusk and Foreign Minister Gromyko and its general commentary on Berlin suggest that the Soviet leaders are confident formal negotiations will be arranged. Following the third meeting between Secretary Rusk and Foreign Minister Gromyko on 30 September, Pravda on 2 October quoted from a US statement that the sessions were cordial, that they were related to the possibility of East-West negotiations, and that Gromyko was likely to meet with President Kennedy. Soviet press coverage of the first two discussions merely reported that the meetings had been held but gave no indication of the general atmosphere or possible results. The coverage of 2 October, therefore, conveys an impression that the talks are proceeding favorably.

Izvestia also injected a hopeful note in an article which claimed that the Soviet people did not believe that the international situation was entirely covered with the "leaden clouds of war." A speaker at a public lecture in Moscow on 26 September predicted that the Rusk-Gromyko talks would be followed by negotiations and cited the US-Soviet agreement on disarmament principles as a favorable sign. The East German party organ Neues Deutschland echoed this line in an editorial of 28 September, stating, "Everyone realizes now

that there will be negotiations." Polish party First Secretary Gomulka on 30 September also asserted that "on our side nothing stands in the way of a peaceful solution of the German problem by means of fruitful negotiations and mutual agreements." The Polish news service reported that "UN circles" expect an East-West foreign ministers conference to be followed by a summit meeting.

This general line suggests that Moscow views the Rusk-Gromyko talks as the opening of a decisive phase in the Berlin crisis. A number of Soviet journalists, in their contacts with American officials, have stressed that the next several weeks will determine the future course for the bloc and have hinted that the Soviet year-end deadline for a solution could be revised if negotiations were in process or scheduled. The third secretary of the Soviet Embassy in Mexico City stated that the USSR was not disposed to sign a separate East German treaty if there were real possibilities for East-West agreement.

A Pravda correspondent claimed that the next six weeks would be most important for setting a date for a meeting at the highest level. He added that the date could be "sometime in 1962" provided the US agreed to the principle of negotiations. A TASS correspondent also emphasized negotiations and warned

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~
~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

that if they failed to materialize, Khrushchev would have some "very interesting warnings" at the Soviet party congress.

Communist sources in London were apparently responsible for press reports that the bloc foreign ministers would convene in November to consider the next move on Germany. According to these reports, the bloc would review the results of current East-West contacts, such as the Rusk-Gromyko conversations, and decide whether to proceed with a peace treaty before the end of the year. If no East-West negotiations were arranged by November, the bloc would go ahead as announced and convoke a peace conference, but that if it was clear the West was prepared to negotiate, the Warsaw Pact ministers would recommend postponement of a peace conference until "two or three months" into 1962. Other press reports quoted "Communist diplomats" as saying that the bloc might postpone a separate treaty if the West agreed to negotiate a Berlin settlement.

These semiofficial statements have been accompanied by an official effort to appear responsive to Western views that the agenda of any formal negotiations should be broader than the Soviet proposal of a peace treaty and free-city status for West Berlin. The Soviets have begun to emphasize European security and certain limited partial disarmament measures to show willingness to enlarge the scope of East-West discussions. The Soviets have made

it clear, however, that European security discussions are no substitute for a German treaty.

Disarmament

A Soviet Government memorandum submitted to the 16th UN General Assembly suggested reaching agreement on freezing military budgets, denouncing the use of nuclear weapons, banning war propaganda, concluding a nonaggression pact between the NATO countries and the Warsaw Pact nations, withdrawing foreign troops from the territories of other countries, taking measures against the further spread of nuclear weapons, creating atom-free zones, and taking steps to lessen the danger of surprise attack.

All of these measures have appeared as provisions of earlier Soviet disarmament proposals, although not necessarily as "partial" disarmament measures. The increase in the number of partial disarmament measures listed may be aimed at countering neutralist dismay over the Soviet position that a test ban solution can be reached "only" through agreement on general and complete disarmament. Several of the measures--a NATO - Warsaw Treaty nonaggression pact, establishment of a nuclear-free zone in Central Europe, withdrawal or at least reduction of foreign troops in Europe, and a ban on supplying nuclear weapons to other countries--are probably calculated to appeal to groups in Western Europe who favor tying European security arrangements to a German settlement.

CONFIDENTIAL

~~SECRET~~

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

25X1

The memorandum's call for reciprocal commitments not to be the first to use nuclear weapons is at variance with a recent statement by Khrushchev. The Soviet leader--who in past years had advocated such an agreement--told New York Times correspondent Sulzberger early in September, "It would be untimely at present to say that in the event of war, atomic weapons would not be employed." He added that if both sides were to promise not to employ nuclear weapons but retained their stockpiles and the imperialists unleashed a war, "any side" that felt it was losing would "undoubtedly use its nuclear bombs."

Berlin

Bloc leaders continue to stress possible guarantees for future access to West Berlin. Gomulka said on 30 September that the peace treaty will allow a "solution of the West Berlin problem in a way...which will provide it with free communications with the world and international guarantees of the interested powers or guarantees of the UN." On the same day, Czech President Novotny asserted that if Berlin had become a question of Western prestige, "Let us agree on guarantees for West Berlin, as clearly indicated by Khrushchev."

The bloc's intention to sign a separate peace treaty by the end of the year continues to be muted in statements and propaganda, although it appears occasionally. Gomulka referred to the deadline in speeches during a visit to Prague; an Izvestia editorial on 29 September mentioned a treaty by the end of the year; and East Germany has continued to stress the deadline.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

UNITED NATIONS DEVELOPMENTS

The 16th UN General Assembly is in its third week of general debate. Most activity, however, is taking place in private negotiations among UN members on such key issues as the admission of Mongolia and Mauritania and the appointment of an interim secretary general.

Admission of Mongolia

The Security Council on 2 October again deferred consideration of Mauritania's and Mongolia's membership applications. All 11 council members acquiesced in the deferral, reportedly to allow time for further negotiations with Nationalist China on its opposition to Mongolia's entry into the UN. The USSR still insists it will veto Mauritania's application if Mongolia is rejected. Mauritania's application is first on the agenda, but the USSR has circumvented this tactical dilemma by threatening to veto Mauritania's admission unless Mongolia has already been accepted.

The Security Council will probably meet again soon on the problem, and a Nationalist veto of Mongolia then could accelerate the assembly debate on Chinese UN representation and might also lead to early Soviet efforts to have the assembly reject Taipei's credentials--a vote requiring only a simple majority. The West wants to have the issue debated as an "important question" requiring a two-thirds vote.

Although spokesmen for the twelve French African states in the Brazzaville group continue to assert that they will oppose Taipei as a bloc if Mauritania is denied UN membership because of a Nationalist veto of Mongolia, there are indications that the group is not as unified on this issue as some spokesmen claim. Foreign Ministry officials of Cameroun, Togo, and even Senegal have recently expressed opposition to Chinese Communist membership in the UN. However, resentment of Taipei could

possibly be such that the group in the end would vote as a bloc and oppose Nationalist China.

The Secretary Generalship

The Soviet delegation has further modified its position on Dag Hammarskjold's successor in an effort to meet the Afro-Asians' objections and to gain their support for some form of the troika principle. The bloc is currently pressing a proposal for the Security Council to name a provisional "chief of the secretariat" plus three deputies--one each from the West, the Soviet bloc, and the neutral states. This four-man directorate would be required to act in the spirit of "concord" and to serve until April 1963, when Hammarskjold's term would have expired.

In his explanation of this plan to Ambassador Stevenson, chief Soviet delegate Zorin was ambiguous on the question of whether the Soviet terminology involved a veto power for the deputies. On 1 October, however, the Soviet delegation published a formal statement outlining the proposals and denying that Moscow envisaged a veto power by any of the deputies.

The Soviet delegation has been seeking support from Afro-Asians for this latest plan. The USSR reportedly has agreed to the appointment of Burma's U Thant as interim secretary general with full powers. [redacted] 25X1

The USSR's main purpose seems to be to avoid a decision which would reconfirm the existing situation and represent a defeat for the Soviet contention that the executive branch of the UN should be reorganized. [redacted] 25X1

CURRENT INTELLIGENCE WEEKLY SUMMARY

SYRIA-EGYPT

The early-morning coup in Damascus on 28 September caught the Nasir regime completely by surprise, and the small military clique responsible for the action quickly consolidated its initial success with comparatively little resistance throughout Syria. With the possibility of any pro-Nasir counterrevolt in Syria becoming increasingly remote, Nasir appears to be slowing down the contingency invasion preparations noted in the days immediately following the coup.

The ineffectual drop of about 100 paratroops in the Latakia area early on 29 September was meant to be the first move in an invasion plan apparently based on a faulty interpretation of the situation, combined with Nasir's determination to take the strongest possible stand against the rebels throughout the crisis. Freighters at Alexandria continued loading of invasion materiel until 3 October, probably in the hope that some sign of indigenous support for an invasion attempt would show itself. With the chances for direct military action apparently fading, Nasir will probably concentrate on subversion.

The Kuzbari regime in Syria, well aware that it will be called reactionary, has made strenuous efforts to give the impression that social gains made during the UAR period will be retained. The appointment of a moderate socialist as minister of national guidance was a move in this direction, as have been several announcements that such worker benefits as employee profit sharing and participation in management would be retained and expanded. The agrarian reform law decreed by Nasir also is to be carried out.

The new government's internal position should be strengthened by the 1 October declaration of support from a cross-section of Syrian political leaders, including those who were responsible for Syria's union with Egypt in 1958. Of particular significance is the open support of such leftists as Baathist

leaders Akram al-Hawrani and Salah al-Din Bitar. Apparently, the Kuzbari regime promised early parliamentary elections in return for this support. Nasir's monolithic political movement, the National Union, has been dissolved throughout Syria.

Schools have been closed while the curriculum is being "cleansed" of material glorifying Nasir as the champion of Arab unity. Egyptians in Syria have been ordered to register with security authorities as foreigners, but orders for their mandatory expulsion have been rescinded; several hundred have already returned to Egypt.

The prospects for continued maintenance of a stable government in Syria do not appear good. Before union with Egypt, Syria was beset with internal political turbulence, and coups and counter-coups were frequent. The Kuzbari government will probably be subjected to increasing pressure from less conservative political groups. There is, moreover, reason to believe that some of the army officers in the revolutionary command are not entirely satisfied with the make-up of the Kuzbari cabinet.

Only Jordan among the Arab states has so far recognized the Kuzbari government. Qasim and King Saud are undoubtedly greatly pleased at Nasir's setback but have given no indication when Iraqi and Saudi recognition would be extended.

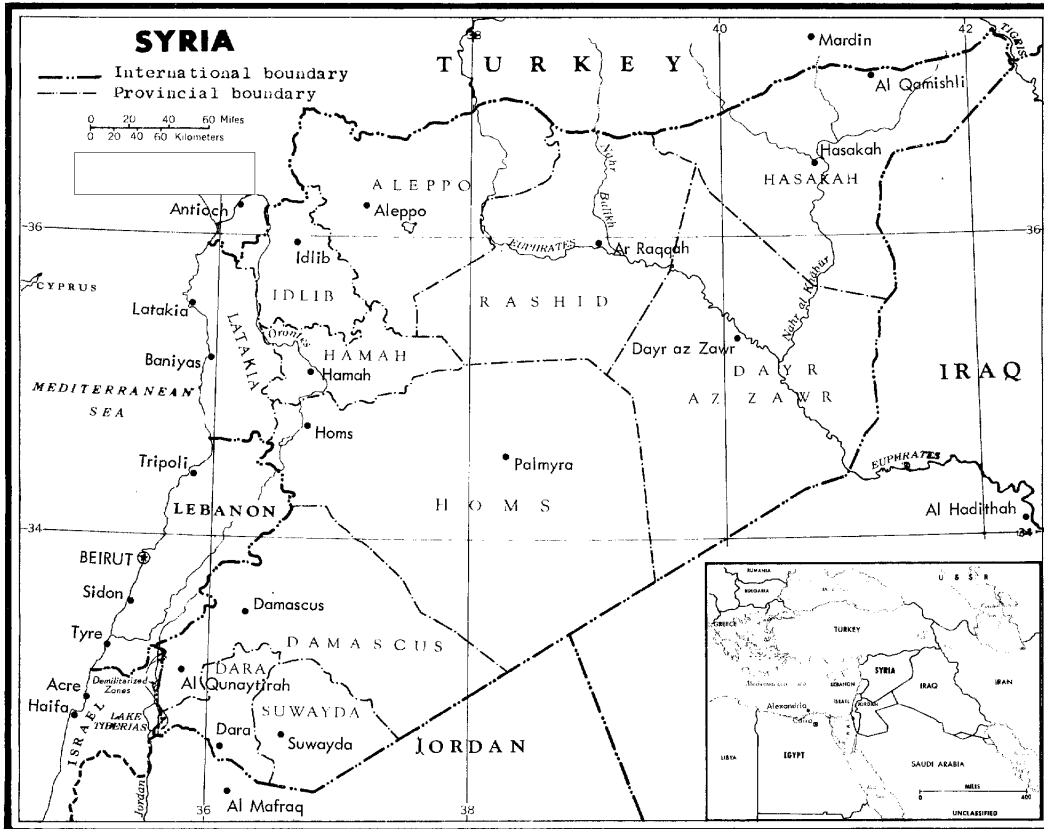
Beirut has been the scene of several sizable pro-Nasir and pro-UAR demonstrations since the coup and is apparently being used by Egypt as a base of operations against Damascus.

Because Iran and Turkey were also prompt to establish relations with Damascus, their ships are being refused service in transiting the Suez Canal.

Public reaction in Egypt appears to have been largely apathetic, and the Nasir regime is reported concerned over the

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CURRENT INTELLIGENCE WEEKLY SUMMARY



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possibility that the Syrian revolt might prove contagious. Nasir's prestige is described as at "an all-time low," and Egyptian police have been placed on alert.

Moscow is treating the Syrian situation with caution. Although the USSR almost certainly welcomed the split as an opportunity to resume Communist activity in Syria, its official attitude is circumscribed by the importance of maintaining harmonious relations with Nasir. Ambassador Thompson believes the Soviet leaders will wait to see if the Damascus government can establish itself firmly and let Western powers "test UAR reaction."

The outlawed Syrian Communist party on 4 October published a statement in a Beirut Communist newspaper hailing the revolt as "an expression of hatred for imperialism and Pharaonic domination." The party calls for release from jail of the "detained nationalists" and for "a national democratic rule hostile to imperialism and based on free parliamentary elections." Party leaders, effectively suppressed by Nasir for three and a half years, are obviously looking forward to a climate in which they can operate more successfully.

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CONFIDENTIAL

CURRENT INTELLIGENCE WEEKLY SUMMARY

CONGO

Little progress has been made in the negotiations between UN and Katangan representatives and tension is continuing in Elisabethville. The points at issue are the position of Katanga's European mercenaries and the terms of Katanga's reintegration with the rest of the Congo. Katangan officials claim that the mercenaries have been dismissed, and that their repatriation now is the concern of the UN and the foreign consular corps. UN representatives charge that the Europeans have merely gone underground.

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A high UN official has told the Katangans that unless they helped to round up the remaining white mercenaries, the UN would have to take "appropriate measures" to seize the Europeans. The American consul in Elisabethville comments that such measures might lead to a reopening of hostilities.

The Katangan UN negotiations are complicated by the belief of the UN in its military superiority, and by Tshombé's apparent feeling that he must put up a bold front. UN commander McKeown, in a 30 September conversation with Ambassador Gullion, admitted the difficulties in planning and the language barriers encountered by the UN in the past, but ascribed its present posture mainly to an unwillingness, based on humanitarian considerations, to go on the offensive. He deprecated the Katangan "attacks," which he said were actually ill-directed mortar and small-arms fire.

McKeown indicated that with the addition of a small jet fighter capability, the arrival of 20 armored personnel carriers, and some regrouping of forces, the UN would have the Katangan situation in hand.

The American Consulate in Elisabethville, while confirming that the UN troops believe that "next time we shall finish the job we started last time," reports that the UN Elisabethville headquarters has no intelligence organization. UN troops have been ostracized by local civilians and have little chance to gain information by informal contacts.

The consulate also reports that on the Katangan side there is a mixture of confusion and confidence, with much talk of a "last-ditch stand" and "whipping the UN again." The Katangans have received at least one and possibly six Dornier light transports, which could be used for reconnaissance and limited bombing missions. UN officials believe that mercenaries and military equipment are still being smuggled across the Rhodesian border, the vehement public and private denials of Rhodesian officials notwithstanding.

Rioting by anti-Tshombé Baluba tribesmen in areas around Elisabethville is further complicating the security situation in Katanga. The 30,000 tribesmen in the Elisabethville refugee camp reportedly are also being molested by pro-Tshombé youth groups. Estimates of the number killed in these essentially tribal outbreaks range from 50 to 100.

Tshombé has maintained a moderate posture on the question

CONFIDENTIAL

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

of negotiations with Leopoldville, but he apparently remains unwilling to meet with Premier Adoula on ground controlled by the central government. Adoula, in conversations with Ambassador Gullion in Leopoldville, has also taken a relatively moderate stand on the substantive issues, but he has so far rejected Tshombé's offer to hold talks at a neutral site.

The continuing stalemate in Katanga apparently is resulting in further pressure on Adoula to order a Congolese offensive. He told Ambassador Gullion recently that he had threatened to resign in order to head off the "activists" in his cabinet; nevertheless, Congolese military leaders apparently are planning a large-scale invasion of Katanga from both Kasai and Kivu provinces. The Congolese command has had no training for such an operation, and transport and logistic facilities are inadequate, while liaison between Mobutu's Leopoldville headquarters and the various army components is tenuous.

There is evidence of a continuing schism in Leopoldville between the moderate and Gizengist factions which has not been healed by the appointment of several Gizengists to the Adoula cabinet. Adoula apparently is relying on splits in the radical bloc--particularly between Gizenga and Interior Minister Gbenye--to keep it under control. He admitted to Gullion that there were differences between himself and Gizenga but expressed confidence that Gizenga could be controlled.

Gizenga, in a conversation with Gullion, pressed strongly for a Congolese constitution

which would effectively end Katangan separatism. He was evasive when asked if he favored Congolese military intervention. He also insisted that the government must have relations with all countries--presumably a reference to his Soviet bloc and Afro-Asian supporters, whose accreditation Foreign Minister Bomboko has been trying to delay.

Belgian Foreign Minister Spaak remains convinced that Belgian interests in the Congo can be preserved only through the reintegration of Katanga and the continued presence of the UN; he says he has been pressing Belgian economic interests, notably the Union Miniere and Societé Generale, to use their influence with Tshombé for the peaceful reintegration of Katanga. Company officials in Katanga, however, in the past have not always agreed with Spaak and have frequently acted independently. Both government and company officials in Brussels are bitter about UN actions in Katanga. Spaak also told Ambassador MacArthur on 2 October that if the UN again resorts to force, the Belgian public will be outraged and the government will be forced to take a public position against such action.

Spaak has acceded, in the face of strong domestic opposition, to pressure from Leopoldville for the withdrawal of Consul General Crener from Elisabethville. Spaak had earlier opposed such a move on the ground that Tshombé would not accept a replacement unless accredited to the "Katanga government," thus depriving thousands of Belgians of consular protection. Crener will not be replaced, and Belgian affairs will be handled by a Belgian colonel.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

LAOS

Souvanna Phouma, Souphanouvong, and Boun Oum are scheduled to meet at the front-line village of Ban Hin Heup on 6 October to resume negotiations for the establishment of a coalition government in Laos. These discussions, the first to be held since the Zurich conference in June, will be initiated on the Vientiane-controlled south bank of the Nam Lik; thereafter meetings are to be held on alternate sides of the river. Major points for discussion include the designation of a premier, the distribution of portfolios in the coalition cabinet, the demobilization and integration of the opposing armed forces, and the timing of the national elections.

General Phoumi told Ambassador Brown recently that Souvanna would be acceptable as premier if a coalition cabinet reflecting a "proper balance" among the three groups could be put together. Phoumi indicated that he would endeavor to obtain key cabinet posts for "his" group, but felt Souvanna probably would demand the Defense Ministry for himself. Regarding the vital question of integration and demobilization of forces, Phoumi stated his intention to arrive at agreement on "broad lines of handling this question" prior to the formation of the government, with emphasis on the implementation of demobilization before elections.

Pathet Lao - Kong Le forces have continued their mop-up

activities in Xieng Khouang Province. Reports indicate the loss by Meo units of posts at Tha Lin Noi and Pha Phong in the Plaine des Jarres area. Farther south, in the areas south and east of Thakhek, Vientiane forces have continued their operations to eliminate enemy pockets.

At Geneva, general agreement has been reached on the future role of the cochairmen. The approved draft, which eliminates the initial Soviet demand for a veto by the cochairmen over activities of the International Control Commission (ICC), allows them to make recommendations to the ICC, which it may accept or reject. In a 27 September discussion of the future function of the ICC in Laos, however, both the Soviet and Chinese chief delegates took the position that it should carry out its activities only with the full agreement of and on request of the Laotian Government. They maintained that the concept of permanent ICC teams at predetermined inspection points was unacceptable.

The two bloc delegates pressed the US delegate for an estimate on how much longer the conference would continue and argued that, inasmuch as the three Laotian parties have already expressed their views in the Zurich communiqué, it would not be necessary to have a unified Laotian government delegation at the conference.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

In a private talk with Ambassador Harriman on 29 September, Soviet delegate Pushkin reiterated the Soviet desire for an early agreement and indicated that there was at least some room for negotiation on the future of the ICC's operation in Laos. However, it is unlikely that the bloc

would agree to any plan which did not limit the ICC's authority to the terms of a general agreement which would have to be concluded between the commission and a government headed by Souvanna Phouma--who has stated his opposition to the idea of an ICC with unlimited authority.

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FRANCE-ALGERIA

French-Algerian negotiations seem likely to be resumed soon, in view of the reportedly favorable reaction of the provisional Algerian government (PAG) to De Gaulle's 2 October television address. In Algeria, however, tension between Europeans and Moslems remains high and is being stimulated by the rightist Secret Army Organization (OAS), which hopes to provoke enough violence to wreck any negotiated settlement. While De Gaulle's threat to dissolve parliament and to reassume emergency powers has further antagonized his domestic critics, all except the extremists seem hesitant, because of the lack of a democratic alternative, to risk action which might overthrow him.

While the only specific steps De Gaulle outlined on 2 October were aimed at establishing a provisional executive body to govern Algeria, he made some attempt to mollify both the Europeans in Algeria and the PAG

on his ultimate intentions. He made up for his much-criticized failure to mention guarantees for Europeans at his 5 September press conference, and stated that he does not regard negotiations and moves to establish a provisional executive as mutually exclusive. He stressed that the initiative for any provisional body should come from Algerians themselves, although Paris will reportedly set the process in motion this month by establishing, as a forerunner, a "consultative committee" to advise the Delegation Generale in Algeria on problems of self-determination. French officials profess hope--on the basis of indications they reportedly received during the last round of talks at Lugrin--that the PAG might be willing to discuss participation in a provisional body.

During the transition to independence, the provisional body would be supported by the "local police force" De Gaulle

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CURRENT INTELLIGENCE WEEKLY SUMMARY

has proposed. According to the press, it will initially comprise 30,000-35,000 Moslems now serving in or as auxiliaries of French security forces--not the army proper--and later, if negotiations with the PAG are successful, would incorporate 15,000-20,000 rebel guerrilla troops. A likely commander of the police force he envisages to support the proposed provisional executive appears to be Brigadier General Ahmed Rafa, the only Moslem general officer in the French Army, who was promoted from colonel early in September and on 4 October was named infantry assistant to the commander in chief in Algeria.

Foreign Minister Couve de Murville told Ambassador Gavin in Paris on 3 October that talks would begin soon with the PAG. The PAG had reportedly felt that France should make the first overture toward resuming talks. A PAG official in Tunis told the US ambassador there on 29 September that the rebels were alarmed by the growing strength of the OAS. He said that while they feared De Gaulle might not be able to carry out commitments made in negotiations, they nevertheless felt that only he could judge when the internal French situation would permit serious new negotiations.

De Gaulle's speech will increase the determination of the OAS, especially in Algeria, to provoke violence sufficient to make a negotiated settlement impossible. The OAS will probably be encouraged by the impressive response in the European sections of Algeria to its 2 October call for a half-hour general strike. The mobs which

have recently been active in Algiers were composed predominantly of young European toughs who probably see little future for themselves in an "Algerian Algeria," and question their welcome elsewhere. They have access to plenty of arms, and might face the army and security forces with the necessity of firing on them.

De Gaulle's 2 October characterization of politicians playing "their discredited games of the former system" destroyed whatever good will he may have earned in his consultations late last month with party leaders. Parliament convened in a sullen mood when the fall session opened on 3 October, and the Socialist party has authorized its deputies to introduce a censure motion against the government whenever an "opportune time" occurs. Such a motion, if passed, would almost certainly lead to a dissolution of parliament, but the US Embassy in Paris estimates that no responsible political leader is currently prepared to meet De Gaulle in a full-fledged public fight.

Meanwhile, in addition to the influence of the OAS, there are some elements in the armed forces which dislike De Gaulle's policies but do not want to precipitate chaos and enhance prospects of a fascist-type seizure of power. 25X1

They apparently hope to back responsible civilians who would take the initiative in proposing and organizing a "democratic alternative" which could assume power legally. 25X1

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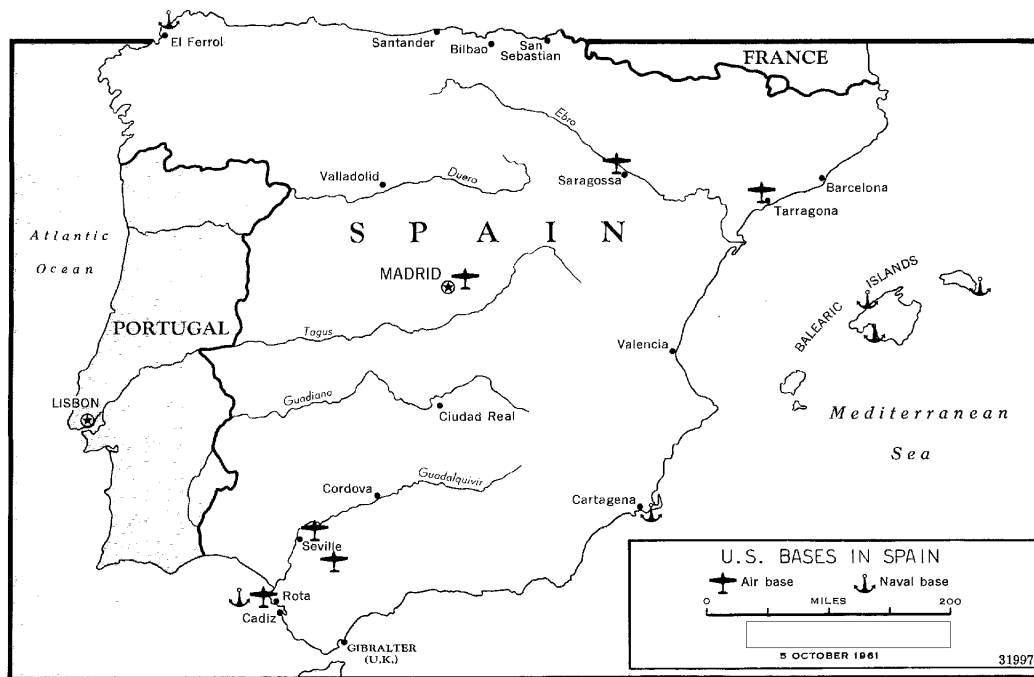
SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****FRANCO AND US BASES**

General Franco's public statement on 1 October that "circumstances counsel revision" of the ten-year US-Spanish defense and bases agreement implies that he will soon press for new concessions. The treaty runs until September 1963, and negotiations for renewal would normally get under way in the next few months. Spanish officials have indicated for some time that they want more modern arms; more recently, in a separate development, they have pressed for US support of Spain's African policy.

Under the 1953 defense agreement, which provides for two successive five-year extensions unless one of the signatories requests cancellation,

Spain granted the US permission to construct and use air bases located near Madrid, Saragossa, and Seville and a naval base at Rota, near Cadiz. In exchange the US has provided military and economic aid amounting to some \$1.2 billion since 1953.

Addressing cabinet members and top-ranking military officers at the celebration of his 25th anniversary as chief of state, Franco stated that the agreement needed to be revised to meet the new situation brought about by recent technical developments. In the spring of 1960, Munoz Grandes, chief of the Spanish High General Staff, repeatedly stressed to the chief of the Joint US Military Group and visiting American military



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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

officials the need for strengthening and expanding the existing agreement.

The US agreement to quit Moroccan bases by the end of 1963 leads Franco to feel he is in a much stronger position to extract new concessions from the US when the Spanish bases agreement is renegotiated. Madrid will become increasingly insistent on this point as the military capability of Morocco improves. Spanish officials have already expressed anxiety on several occasions over the security situation in Morocco as the US bases phase out. Madrid is particularly concerned over the eventual renewal of Moroccan aggression against Ifni and the Spanish Sahara and over demands by Moroccan nationalists for the surrender of the enclaves of Ceuta and Melilla.

Spanish officials have shown considerable displeasure over Washington's African policy. On 8 August 1961, a high official in the Spanish Foreign Ministry vigorously defended Portuguese policy in Angola in a talk with US Navy Secretary Connally. While the official stressed that he was speaking on a personal basis, he argued that the US defense agreement should logically lead to US support for Spain's position in Africa. In view of Franco's statement in his 1 October speech that Portugal was being attacked unjustly abroad because of its African policy, the Generalissimo may have in mind pressing the US for some expression of support in Africa. [REDACTED]

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25X1**SOVIET DOMESTIC PROPAGANDA ON THE PROSPECTS OF WAR**

Soviet domestic radio and press statements since July on the prospects of war have taken the line that while the international crisis is grave, the forces opposing war are strong and growing stronger, and that there is confidence that they will prevail. These assurances have been coupled with assertions of the military strength and preparedness of the USSR. There has been no indication that the population at large is being steeled to endure a war; the hardships of World War II have been recalled frequently and graphically, but without

citations of heroism or patriotism. There appears to be little doubt among the Soviet populace that Khrushchev's position on the German question is just.

On several occasions, public anxiety was apparently aroused by internal commentary associated with tough Soviet statements addressed to the West but widely publicized in the USSR. Such comment has in each case been followed by press and radio efforts to allay domestic fear that war might be imminent. Such occasions have included Khrushchev's announcement on 8 July

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CURRENT INTELLIGENCE WEEKLY SUMMARY

of the suspension of demobilization, his radio-television address of 7 August in which he said the possibility of a Western attack could not be excluded, and the announcement on 30 August of the USSR's resumption of nuclear tests. The most recent period of possible public anxiety coincided with a series of dire estimates of rising international tension by Soviet military leaders from 14 through 26 September.

On 25 September, however, Khrushchev's statement to Nehru that talks "can and must play an important role in cleansing the international atmosphere" provided a counterbalance to the military predictions. Daily press and radio commentary echoed both lines but by 27 September had settled on a distinctly hopeful note.

Information has been sparse on the conclusions drawn by the Soviet man in the street from these frequently conflicting statements. Some citizens appear to have developed a certain amount of indifference to them. Others, however, are undoubtedly perturbed by the reiterations that the international situation is serious, especially in view of the regime's retention in the armed forces of men due for discharge. In late July, the US Embassy in Moscow reported that ordinary Soviet contacts in Moscow were beginning to express great concern over the international situation. Their reaction was primarily one of resentment at the Germans for involving the US and USSR in their own quarrel;

there was little propensity to blame either US or Soviet leadership.

A trip by embassy officers in early August to Alma-Ata and Tselinograd confirmed this impression. Many of the individual Soviet citizens encountered expressed either deep fear or hatred of the Germans. Another trip by embassy personnel in late August to Tbilisi, Bukhara, Tashkent, and Samarkand revealed continuing concern, especially among educated and politically informed Soviet citizens. The embassy noted, however, that they were receptive to explanations of US attitudes on Berlin.

A trip to Murmansk by embassy personnel in early September revealed "certainty" on the part of the few Soviet contacts made that war would not come because it would be a "catastrophe for all concerned." Successful negotiations were expected on a German peace treaty. None of the Soviet contacts expressed any great concern over the resumption of Soviet nuclear testing, regarding it as merely one more step in the military build-up of both East and West.

In Moscow, however, individual members of the Soviet intelligentsia for the first time seem prepared to believe that war is a possibility. In mid-September the US Embassy received a report that activists were conducting a house-to-house campaign to reassure the population that the Berlin problem would be settled peacefully.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

CROP PROSPECTS IN THE SINO-SOVIET BLOC

China

Communist China is facing its third successive unfavorable agricultural year. Grain output for 1961 will probably be about the same as last year's estimated 185,000,000 tons. This is also the same level achieved in 1957, when there were some 60,000,000 fewer to feed. As a consequence, malnutrition and related health problems can be expected to rise sharply next winter and continue at least through spring, with a further decline in labor productivity and continued public discontent.

Peiping has published no statistics on agricultural production this year, but available evidence indicates that the 1961 winter wheat harvest was probably the smallest in several years. The third successive year of drought in North China, a reduction in the sown area, late planting with consequent heavy winter kill, seed shortages, and peasant apathy all contributed to this small harvest.

Weather conditions in South China have apparently been relatively good, and an average crop seems likely.

In Central and East China, however, drought conditions were reported throughout the spring and summer. The extent of drought damage to the late rice crop, harvested in October and November, cannot be determined yet. It is clear, however, that the outcome of the harvest in this Yangtze valley area--accounting for 52 percent of the rice acreage in China--will

have major significance for the coming year's food supply. Conditions in Hupeh, one of the major rice-producing provinces in this area, are worse thus far than in 1959 and 1960.

Despite continuing shortages of foreign exchange, Communist China is preparing to negotiate for further grain imports from nonbloc sources in the coming

[redacted] have already hinted to the Canadian trade commissioner in Hong Kong that they wish to buy more grain in 1962 than was stipulated in the earlier agreement. The Chinese have contracted for delivery of 5,500,000 tons of foreign grain in 1961 at a cost of more than \$350,000,000.

Asian Satellites

In North Vietnam, prospects for the important October-November rise harvest, which normally accounts for two thirds of the annual rice output, are causing the authorities concern. Field work is reportedly behind schedule in many areas, with transplanting of rice delayed by the abnormally dry conditions during July and August. Should growing conditions remain abnormal, the effect on the late rice crop will create serious food problems for the regime next winter.

While North Korea's expectation of a bumper harvest this year may prove overly optimistic, weather conditions suggest at least a normal-to-good harvest. Pyongyang has not been plagued by the rural mismanagement which has characterized Chinese agriculture over the past few years.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

USSR

For the third year in a row the USSR has made little or no progress toward the ambitious 1965 target for total agricultural output. Grain production this year, favored by weather in all but the New Lands area, will probably total 115,000,000-120,000,000 tons. Although 15 to 20 percent above the poor harvests of 1959 and 1960, this will still be short of the 1958 bumper crop, which by non-Soviet estimates was probably about 130,000,000 tons. The USSR called it 141,200,000, and made this figure the point of departure for the 1965 goals. While

the traditional exaggeration of grain figures, some inflation will remain, and the Soviets may well claim that the 1961 harvest is larger than that of 1958.

Production of meat and milk in 1961 will probably about equal 1960 and will continue to lag badly behind the increases needed to meet the Seven-Year Plan goals. More feed and slightly larger herds, as well as a mild winter and early spring, have favored the industry. On the other hand, meat production at the state slaughterhouses in the first half of this year was 7 percent below the same period last year, and the Soviet press has conspicuously avoided commenting on progress. Cotton production is expected to be somewhat above the mediocre 1960 crop, but dry weather in some of the important growing areas may keep the production of sugar beets, sunflower seeds, and fiber flax below the relatively good 1960 crops.

Eastern Europe

In the European satellites, total production of grain is expected to be about the same as

last year--about 43,000,000 tons--largely because of the bumper harvest in Poland. Preliminary estimates of grain output in 1961 are down from 1960 in Bulgaria, East Germany, Hungary, and Rumania, and up in Poland, Albania, and Czechoslovakia. Weather conditions, which had been generally favorable during the spring for most crops throughout the satellites, turned for the worse about mid-June. As the only bloc member without any significant degree of collectivized agriculture, Poland has apparently done much better than East Germany or Czechoslovakia under similar weather conditions, primarily because the collective units of the latter two countries had higher harvest losses.

In spite of its bumper harvest, Poland will still need to import about 1,000,000 tons of grain if livestock herds and grain consumption are to be maintained at current levels. With the recent US decision to delay signing of a PL-480 agreement, Poland is left with import commitments of only 600,000 tons. If import needs are not met, the government will have to increase procurement of domestic grain by raising compulsory delivery quotas and/or increasing free market purchases to guarantee the grain supply.

With the possible exception of Albania, no basic improvement in the per capita availability of food for the satellites is expected during 1961/62. East Germany, Hungary, and Bulgaria will probably encounter most difficulty in meeting consumer demands for foodstuffs. The most serious shortages are likely in East Germany unless it can increase its imports, an effort which Walter Ulbricht has said will not be made. Nevertheless, availability of quality foods in Eastern Europe, especially in East Germany, Poland, and Czechoslovakia, is significantly greater than in the Soviet Union and far greater than in China.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

HOUSING PRIORITY LOWERED IN USSR

The newly published Handbook of the National Economy of the USSR for 1960 gives a figure for housing construction in that year considerably lower than the amount originally claimed in the official plan report. This is a new indication that the priority for housing construction has been reduced and casts doubt on the possibility of achieving the Seven-Year Plan (1959-65) for housing. A substantial underfulfillment of the plan in 1960 and subsequent housing data appear to indicate that the Soviet regime decided in mid-1960 to sacrifice part of the popular housing program to other construction projects.

The handbook figure is 82,800,000 square meters, 2,200,000 lower than the total originally claimed and only 3 percent above performance in 1959. This reduction, which may be in part an attempt at statistical correction, is the latest in a series that started in December 1959. At that time it was anticipated by State Planning Committee (Gosplan) chief Novikov that, of the 1960 housing goal of 101,000,000 square meters of new urban housing, only about 92,000,000 would be completed. In January 1961, the plan fulfillment announcement stated that about 85,000,000 square meters had been built during the previous year.

The original reductions seemed attributable to a slowdown in private housing construction, probably because of the reported cancellation of state loans for private housing. Subsequent information, however, points to a substantial cutback of housing to be built under the state plan.

The mid-1960 plan report indicated that judging by state housing accomplishment in 1958 and of 1959, the 1960 plan would probably be overfulfilled by 7 to 9 percent. Instead, however, the state housing goal for 1960 was underfulfilled by 7 percent.

This lower rate of housing construction continued into 1961; the report on the first six months showed that only about 24 percent of the year's state housing had been completed. In spite of a sharp improvement in July, state housing completions still lagged behind those of the first seven months of 1960 by about 2 percent.

A lower priority for housing is also indicated by the decline in housing's share of the volume of state construction to 28.7 percent in 1960 from 30.9 percent in 1959 and 32.6 percent in 1958. Furthermore, while the 1960 housing plan was substantially underfulfilled, the over-all construction plan was virtually fulfilled. The shortfall in state housing in 1960 was so large that only about half of it can be attributed to technical difficulties during the transition to new construction methods.

The chronic shortage of housing in the USSR causes more intense and widespread dissatisfaction than any other aspect of Soviet life. Accordingly, there has been no publicity on the lowered priority for housing, in contrast to the fanfare accompanying the high priority given to housing in 1957--which resulted in a sharp rise in housing in subsequent years.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

HUNGARIAN FIVE-YEAR PLAN REVISED

Following above-plan performance in 1959 and 1960, the Hungarian regime has announced higher goals for production in certain industries and for national income in its Second Five-Year Plan (1961-65). Planned investments have been cut, however, allowing larger expenditures for military purposes and, possibly, for repaying foreign loans.

The goals established in the original directives, published in September 1959, were generally more conservative than the Five-Year Plan goals of any other satellite, and apparently this conservative outlook prevails. The average rate of increase in industrial production from 1958 to 1965 now is planned at 9.0 to 9.4 percent a year, compared with 7.4 to 7.9 percent a year in the 1959 directives. Since the growth of industrial production was about 11 percent a year during 1959-60, the rate of growth for 1961-65 will have to be only 8.5 percent to meet the five-year goal, or just slightly higher than the maximum rate planned previously for the seven-year period.

Agricultural production is to increase 30 to 32 percent by 1965 over the 1954-58 average. This target, which requires an average annual rate of growth of 3.5 percent from 1960, appears to be the most realistic of any bloc goal for agriculture.

National income is expected to increase 55 to 60 percent from 1958 to 1965 instead of the 50 percent in the original directives. This increase reflects both the higher goals for industrial production and the above-plan performance during 1959-60. Nevertheless, total capital investment during the five-year period will be 10 to 12 percent less than previously planned. This scaling down of investment targets, however, is not designed to benefit the consumer, as personal consumption is still to increase slowly. The official explanation for increasing the goals for production but not those for investments is the need to raise expenditures connected with national defense.

However, increases in national income probably will permit larger repayments than originally planned on loans received from bloc countries after the Hungarian revolt in 1956. No postponement in repayments of Soviet credits has been reported for 1962-65, and no new credits to Hungary have been announced to offset such repayments.

Because the new plan is so conservative, it probably will be fulfilled in its main aspects. (Prepared by ORR)

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CURRENT INTELLIGENCE WEEKLY SUMMARY

COMMUNIST CHINA CELEBRATES NATIONAL DAY

Peiping gave little publicity to the advance preparations for National Day (1 October) in 1961. The festivities in Peiping were similar in form to those of 1960. The populace was given a two-day holiday and a few extra rations were issued--but for the first time these included no meat, a fact which reflects the austerity forced on the regime by its economic setbacks. As in 1960, the customary mammoth parade of half a million persons included militia but no military units. The official press states that 2,000 guests from more than 70 countries were present, but fails to add that many of these were students, diplomats, and others already resident in China. The only prominent foreign visitors were the President of Cuba, the King and Queen of Nepal, and Dowager Queen Elisabeth of Belgium.

On foreign policy matters, Peiping's attempt to paint a rosy picture of Sino-Soviet friendship was belied by unresponsive Soviet speeches and unenthusiastic Soviet attendance at National Day functions in both Peiping and Moscow. In an unctuous speech on 28 September, Chinese Ambassador Liu Hsiao promised his Soviet audience in Moscow that Peiping, following Mao Tse-tung's teachings, would preserve Sino-Soviet solidarity like the "apple of our eye." Liu again endorsed the Soviet Berlin stand and intimated--for the first time by a Chinese spokesman--that the Soviet party's draft program has validity outside the USSR. Back in China, People's Daily also acknowledged Soviet experience could be helpful in

China's socialist construction.

The Russians gave only perfunctory attention to the Chinese anniversary. In a speech at a Moscow reception on 29 September, First Deputy Premier Kozlov reiterated standard expressions of Soviet support for Peiping's "lawful place" in the United Nations and for liberation of Taiwan. He avoided anything that could be construed as Soviet tolerance of Chinese ideological claims. In Peiping, the Soviet delegation attending the ceremonies contained no major figures.

For the second year, Chou En-lai did not give a banquet for Soviet experts in China, a further indication that Soviet technicians have not returned in numbers.

The tone of both press and public pronouncements on China's domestic outlook was at sharp variance with last year's. Although it was evident by October 1960 that the regime was in economic trouble, particularly in agriculture, the full gravity of the situation was not acknowledged last year. The People's Daily editorial of a year ago stated, "There is every possibility for the Chinese people to catch up with Britain...within a period of less than ten years." It spoke of the great leap forward as a continuing movement and called for an "unprecedented bumper summer harvest in 1961." The corresponding People's Daily editorial in 1961 admitted to a "reduction of agricultural output" as a result of "three successive years of grave natural calamities," regarding industrial production, the

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

editorial eschewed further expansion for the time being and simply suggested "readjusting, consolidating, filling out, and raising standards" for 1961 and 1962.

In its most specific reference to industrial production, People's Daily stated that "14 out of the 17 main targets" for the Second Five-Year Plan were fulfilled in 1959 and 1960. If this is compared with Li Fuchun's announcement in March 1960 that 13 out of the 24 major industrial and agricultural products had reached their 1962 targets by the end of 1959, there is a clear implication that industry made little or no progress during either 1960 or 1961 over the level achieved in 1959.

The regime maintained that the party's general policies have always been correct, but conceded a need to perfect the means for

putting them into practice. The theoretical journal Red Flag stated in its 1 October editorial that "many of our cadres are familiar with wars and revolution but they are not versed in the rules and regulations of socialist construction." The editorial commented that the party has called for a new study movement to take up "questions concerning the building of socialism." There was no indication that the study movement would take on the proportions of a party purge.

At the top level, all full members of the politburo were represented in the ceremonies at Peiping except Peng Te-huai-- whose standing has been in question since September 1959-- and two regional party bosses who probably attended rallies in their own areas. [redacted] (Prepared jointly with ORR)

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PEIPING'S RELATIONS WITH JAPAN

Communist China has in recent weeks engaged in a propaganda campaign of growing shrillness against the Japanese Government. Peiping's anger began when the Ikeda government refused visas for a Chinese Communist delegation to the Japanese Communist party congress in late July. The official Peiping People's Daily said the act exposed Ikeda as "devoid of any sincerity for improving Sino-Japanese relations." The delegation would have been the highest Chinese Communist group ever to attend a party

gathering in a non-Communist country.

However, it was ex - Prime Minister Kishi's visit to Taiwan in mid-August which actually triggered the current rash of invective. The visit, although a private one, was viewed by Peiping as a blatant manifestation of Japanese plotting, with Ikeda's connivance, to create "two Chinas." Particularly galling to Communist China was Kishi's reference to Taiwan and Japan as "two countries." Peiping even accused Japan of having designs on the island.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

Communist China's apprehensions of a resurgent Japan in the Far East are comparable to the bloc attitude toward the possible revival of a militarized Germany in Europe. "The iron hooves of Japanese aggression are rattling again," Peiping asserts, adding that Japanese monopolists and militarists now are actively collaborating with Washington and Taipei in schemes against Communist China. Chief of Staff Lo Jui-ching, condemning alleged US-Japanese connivance in planning a North-east Asian military alliance, warned on 28 September that China "would never permit" Japanese aggressive designs to come to fruition.

The ghost of Japan's "Greater East Asia Co-Prosperty Sphere" of the World War II is revived in connection with what Peiping regards as evidence of Japan's political and economic expansion in Southeast Asia. Such warnings to Asians probably reflect a sensitivity to Japanese economic penetration into Southeast Asian markets Peiping hoped to have for itself before economic difficulties on the mainland stalled its foreign trade offensive.

Chinese Communist hostility toward Ikeda seems to have reached the level of that directed at Kishi, with whom the Chinese said they could have no dealings. Visits to China by members of the governing Liberal-Democratic party were once encouraged, but Liberal-Democratic visitors in June received only a perfunctory welcome.

Peiping is particularly annoyed over moves by the

Socialist party--formerly Peiping's principal channel to left-wing elements in Japan--and its affiliated labor federation, Sohyo, to dissociate themselves from united-front activities with the Japanese Communist party against Japan's ties with the US. The Socialists and Sohyo have instead begun to espouse their own program of apparent neutrality aimed at winning greater popular support. Clearly piqued, Peiping last summer asked the Japanese Socialists to delay sending a scheduled mission to the mainland.

More recently, Peiping responded to feelers from the Socialists concerning the dispatch of a delegation to the National Day celebrations with an unenthusiastic, "Come if you want to." Still, Peiping has not attacked the Socialists publicly, suggesting it may still hope that they will be able to play a useful role in promoting Peiping's and the Communists' interests.

Meanwhile, Peiping seems to be placing a greater reliance on the Japanese Communist party itself. The Communists are now called by Peiping the "vanguard" of Japan's anti-US struggle, an accolade formerly accorded the Socialists and Sohyo. However, Peiping is aware that Japanese leftists are generally distrustful of the Japanese Communists and is searching for an ostensibly non-Communist channel to them.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

FACTIONALISM IN SOUTH KOREAN REGIME

The arrest by security forces on 25 September of 28 persons linked to the vice chairman of South Korea's Supreme Council for National Reconstruction (SCNR), Maj. Gen. Yi Chu-il, is the latest manifestation of a major factional struggle between Yi and national security boss Col. Kim Chong-pil. Both men head powerful alliances within the military junta. The chairman of the SCNR, Lt. Gen. Pak Chong-hui, is believed to stand above the conflict and to be working to prevent a showdown. Should he fail, the stability of the regime would be endangered.

Following the purge of the coup's front man, Lt. Gen. Chang To-yong, in July, two major factions emerged in the junta--one led by Kim, the other jointly led by Yi and marine Maj. Gen. Kim Tong-ha. The core of Kim Chong-pil's faction is a group of young officers who were in the "eighth class"--the class of 1949--at the Korean Military Academy. This class suffered severe casualties in the Korean war and subsequently found promotions blocked by the relatively youthful generals. The officers in Kim's faction tend to favor protracted military rule and authoritarian measures to solve the country's economic and political problems. Yi's faction is made up largely of senior officers who are more inclined to preserve accustomed relationships and institutions.

All those seized on 25 September are alleged to have been involved in preferential treatment, based on regional loyalties, to "illicit fortune seekers." Those favored are among the 27 business leaders who dominate the country's economy and who have been ordered to pay \$37,000,000 in back taxes and fines within six months. In order to force the regime to grant them more favorable terms, they have cut back their business activities, thus depressing the domestic economy. Feeling against the group is believed to be particularly strong among Kim's faction, which tends to favor the nationalization of industry. Pak's position on nationalization is unknown, but the struggle between Kim and Yi may increase the pressure on Pak to approve a state-operated economy.

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any showdown, Kim's faction has the advantage that he controls the secret police. Furthermore, the 800 or more members of the "eighth class" still on active duty include a high proportion of battalion commanders, the lowest echelon of command to exercise court-martial jurisdiction and one of the highest permitting effective personal contact with and personal control of troops.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

GHANA

The Nkrumah regime's arrest on 3 October of prominent political adversaries and leaders of the union which spearheaded last month's strikes underscores the President's determination to forestall the emergence of any effective opposition movement. The move suggests that Nkrumah, who appears determined to increase Ghana's ties with the bloc and to press ahead with the implementation of "socialist ideals" at home, will rely even more than in the past on repressive measures to silence his critics.

Included among some 50 persons taken into custody were P.K. K. Quaido, a member of the right wing of the ruling Convention People's party (CPP) and a former cabinet minister, and Joseph Appiah, the deputy leader of the small parliamentary group of the opposition United party (UP). Veteran politician J. B. Danquah, the UP's candidate against Nkrumah in last year's presidential election, was also arrested, as were about 18 leaders of the Railway and Harbor Workers Union and a number of market women--a politically important group in Ghana.

The detainees, who were accused of plotting Nkrumah's assassination and other "subversive activities," were rounded up under the Preventive Detention Act, which authorizes the government to imprison persons for five years without trial. Some employees in Takoradi of the government-operated

railway system immediately went on strike again in protest against the arrests. A government labor official has forecast "real trouble" for the regime.

Nkrumah did not move at the same time against K. A. Gbedemah, a long-time associate who was ousted from the government last week along with other moderates who have expressed their opposition to Nkrumah's increasing alignment with the bloc and reliance on left-wing advisers. This seeming oversight probably is attributable to Gbedemah's close identification, especially in the minds of Western negotiators, with the still-unsigned Volta River project.

However, Gbedemah's removal from the political scene is almost certainly only a matter of time and may follow quickly, especially if Nkrumah is or becomes convinced that his former lieutenant is planning an attempt to rally the many discontented elements in the country to his leadership. Gbedemah stated publicly after his ouster that he intended to remain active in politics.

[redacted] feelings against the regime were continuing to run high among workers [redacted]

[redacted] and that some of them, in league with members of the

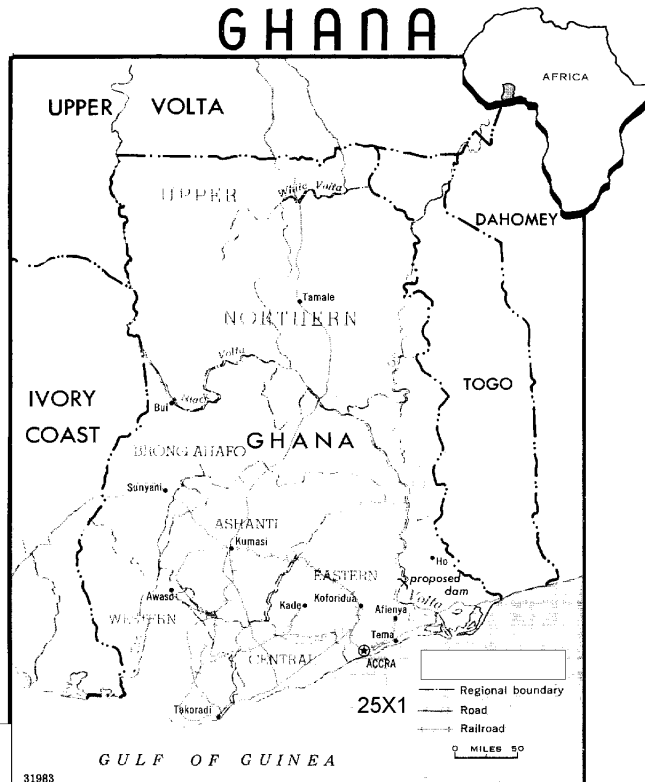
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CURRENT INTELLIGENCE WEEKLY SUMMARY

UP, were attempting to organize a general strike. The workers were known to be still unreconciled to the new tax and forced-savings measures imposed last summer. Their hostility toward the regime was undoubtedly increased by the recent announcement that strikers who had not returned to work by 11 September--a week after the strike began--would not receive pay for any day not worked.

According to the American Embassy, when the strikes finally ended on 22 September--following a threat by Nkrumah to treat holdouts as subversives--there was a general feeling among the participants that all of them would be paid for the entire time of the strike.



A Ghanaian economic delegation now is visiting the bloc to conclude new project agreements and credits arising out of Nkrumah's recent two-month tour of nine bloc countries. Bucharest has announced that the delegation signed a five-year trade pact and agreements covering "technical and scientific collaboration," cultural exchanges, and air services with Rumania on 30 September.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

BRITAIN AND THE COMMON MARKET

In response to a request from the six Common Market (EEC) countries, London has agreed to outline to a preliminary ministerial meeting in Paris on 10 and 11 October the specific concessions it seeks in applying for EEC membership. These conditions have heretofore been couched in generalities. To present the case in some detail, Britain's representative, Lord Privy Seal Heath, will reportedly tender six "papers" and make a two-hour statement.

Prime Minister Macmillan has insisted from the beginning that the terms of entry must take account of the welfare of Britain's farmers and the commercial interests of its Commonwealth and Outer Seven partners. As long as it was unclear exactly what this would involve, Macmillan could maintain that these interests would not be seriously hurt, while dampening EEC suspicions that he might be thinking of fundamental treaty changes.

Developments of the past few weeks will complicate Heath's task of taking a sufficiently forthcoming attitude toward the Six without arousing further domestic and Commonwealth opposition. At meetings in Accra and London recently, Commonwealth criticism of British accession was much sharper than in midsummer (one participant called the Accra talks the "bloodiest" of such meetings), and emphasis shifted somewhat from worry over trade to fear for Commonwealth cohesion. Some of this criticism, especially from Australia and Canada, was no doubt calculated to encourage London to be "tough" with the EEC.

The Macmillan government was jarred, however, by the hostility to the Common Market expressed by Nigeria, Ghana, and Sierra Leone. Association of these three countries with the EEC--on the same basis as the ex-French and Belgian African territories--had seemed one way to avoid a "commercial division" of Africa.

While all six EEC countries appear to welcome, with varying degrees of enthusiasm, the prospect of Britain's entry, none appears ready to sacrifice fundamental EEC principles. Indicative of this, the EEC Council declared following its 26 September meeting that "request for membership in the community implies on the one hand acceptance without reservation of the rules and objectives of the EEC treaty, and on the other hand membership in the two other existing communities --the Coal-Steel Community and Euratom."

The need to preserve a common front when the hard bargaining begins has been the major difficulty the Six have had in organizing themselves for the talks with London. France is still opposed to a permanent chairman of the EEC delegation, favoring instead a rotation system which would bring Couve de Murville to the chair during the probably crucial negotiating period early next year. Paris has had to agree, however, that the talks opening in November will be held in Brussels, the seat of the Common Market, and that the EEC Commission will attend as adviser and participate fully in coordinating the EEC position.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

CUBA

Cuban President Dorticos left Peiping for Moscow on 3 October on the final leg of his month-long tour of the bloc. The Cuban-Chinese communiqué cited Peiping's "pleasure" that Cuba has "chosen the road of socialist development." The communiqués following his Czech and Soviet visits in September had treated the subject of Cuba's adoption of "socialism" with similar reserve. All three bloc nations gave full support to most other Cuban themes, with Czechoslovakia and Communist China endorsing Cuba's claim that the US "occupation" of Guantanamo naval base is "unlawful." There has also been ample bloc propaganda coverage of Havana's increasingly frequent charges that a "new US invasion of Cuba" is being readied.

A delegation led by the Cuban under secretary of foreign trade arrived in Moscow on 27 September to negotiate details of the Cuban-Soviet 1962 trade program and may go on to other bloc countries later. The Castro regime probably will press for a larger volume of bloc foodstuffs and other vital consumer goods to lessen the effect of increasing shortages in these areas.

In a speech on 29 September, Castro announced he had received "good news" concerning bloc purchases of Cuban sugar in 1962 in a communication from "Comrade Dorticos and Comrade Blas Roca." Roca, a long-time Cuban Communist leader whose influence in the government reportedly has increased sharply in recent months, played an important role in the Dorticos delegation's discussions with bloc officials.

According to Castro, the bloc has agreed to buy 4,500,000 tons of sugar for the next four years at more than the world market price. This would be 500,000 tons over the amount scheduled to be purchased by the bloc this year. However, in a 4 October press conference in Moscow, Dorticos said the bloc would purchase "at least" 4,860,000 tons of sugar annually through 1965.

Evidence of Cuban subversive activity abroad

[redacted] and increased
executions of opponents within Cuba may further serve to harden free world opinion against Castro. Costa Rica severed relations with Havana on 10 September. However, the Goulart administration in Brazil--whose attitude toward Castro would be of key importance in any formal consideration of possible OAS action on Cuba--has categorically declared itself opposed to any "intervention" in Cuban affairs.

Ecuador and Mexico, which previously have expressed reservations on any multilateral consideration of the Cuban problem, have given no indications of changing this position thus far. Several other Latin American states which have long opposed the Castro regime, including Peru and Guatemala, have recently shown sharper hostility toward Castro. Guatemala has requested Panama to notify Castro that Guatemala will permit the establishment of a Cuban government in exile in its territory unless former Guatemalan President Jacobo Arbenz is expelled from Cuba within a month. [redacted]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

EL SALVADOR

El Salvador's provisional military regime, strongly committed to a program of basic socio-economic reform, is making preparations for a constituent assembly election in December. The regime came to power in a military coup against a Communist-infiltrated government last January, and the young officers who dominate it are convinced that speedy reform is the only alternative to a Communist take-over. There has been the first Latin American government to launch a reform program in line with the concepts of the Alliance for Progress since these concepts were outlined by President Kennedy early this year.

Since the new regime came to power, the United States has authorized \$23,000,000 in economic assistance, mostly in the form of loans. In addition, the Inter-American Development Bank has lent \$8,000,000, and another \$9,000,000 is being negotiated.

The upsurge of Communist activity in El Salvador following the ouster of the Lemus administration last October had frightened members of the long-dominant "fourteen families" and convinced some of them that reforms are necessary. By early March, however, there were signs of open resistance to the new government's reform program as the elite families began to realize that their position was being threatened by their long-time ally, the Salvadoran Army. The government's first reform measure, a decree providing for a paid day of rest on Sundays for agricultural workers, was the first measure by any Salvadoran government in favor of agricultural workers, who comprise the bulk of the country's population and have

generally lived at bare subsistence levels under an economic system little changed since colonial times. Other reforms have included the lowering of rents in urban tenements and increased government control of the institution--long dominated by the big coffee planters--which regulates coffee sales, the country's principal source of export earnings.

The provisional regime hopes that the support its reforms are winning from the lower and middle classes will assure its newly organized political party control of the constituent assembly to be elected late this year. The diverse political parties in existence prior to the establishment of the "official" party are considering the formation of an opposition coalition. Such a coalition would probably have the support both of recalcitrant landowners and Communist and pro-Communist groups; such tactical alliances have been made in the past in El Salvador.

Government leaders are seeking to avoid a climate of class warfare and have energetically sought to convince the elite families that their long-range interests would be best served by supporting the government's program. Last week the government made a concession to the landowning groups by modifying and postponing the effective date of a decree setting minimum standards for the food which agricultural laborers receive as part of their wages. This move was probably a pre-election tactic signifying no weakening of the resolve of government leaders to carry out their reform program.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

SPECIAL ARTICLES

SOVIET TRANSPORTS IN THE WORLD AVIATION MARKET

Moscow's efforts to penetrate the international aviation market and to conclude civil air agreements outside the bloc have focused attention on the degree to which Soviet aircraft--particularly the latest model jet and turboprop transports--are commercially competitive with comparable Western models. There are few important differences in performance and design characteristics. On the other hand, Western aircraft are generally superior in such factors as fuel economy, maintenance, durability, safety, and comfort.

For several years the Soviet Union has indicated a willingness to sell its large transports outside the bloc, but the IL-18, a medium-range turboprop, is the first model it has backed with a serious promotional effort, including offers at reduced prices and on particularly favorable credit terms. In mid-1960, Avtoexport--a Soviet sales agency--was

authorized to seek nonbloc buyers for IL-18s and other civil aircraft, including helicopters; commercial officers from 23 foreign embassies in Moscow were given demonstration flights. Since then the USSR has delivered nine IL-18s to Ghana, two to Guinea, and two to Mali. Offers to other underdeveloped countries have not been accepted.

Characteristics and Performance

A comparison of Soviet transports with those of the West as to range, speed, carrying capacity, and landing facilities required reveal few significant differences. Most such comparisons reveal that the deficiency of a Soviet plane under one of these headings is balanced by shortcomings of its Western counterpart in some other category.

An outstanding exception to the general comparability

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CURRENT INTELLIGENCE WEEKLY SUMMARY

is the long-range turboprop TU-114, which is clearly superior to any Western transport in flight-range and passenger capacity; the TU-114 can carry from 120 to 220 passengers up to 5,400 miles. On the other hand, few countries have enough territory to warrant the purchase of such a long-range transport. Khrushchev himself has admitted that the TU-114 is basically a bomber and is unsuitable for passenger service.

Weaknesses common to all Soviet transports are the high rate of fuel consumption and the use of heavier airframe structures than are manufactured in the West. The carrying capacity of Soviet transports is also reduced by the heavier weight of the aircraft engines.

Soviet aircraft are also inferior in comfort and convenience. The TU-104, for example, is extremely noisy. Cabin pressurization is often erratic, and cabin temperature is said never to exceed 60°F. Passengers are reportedly distracted by excessive structural vibrations. A further cause of inconvenience is the comparatively small size of the cabin doors.

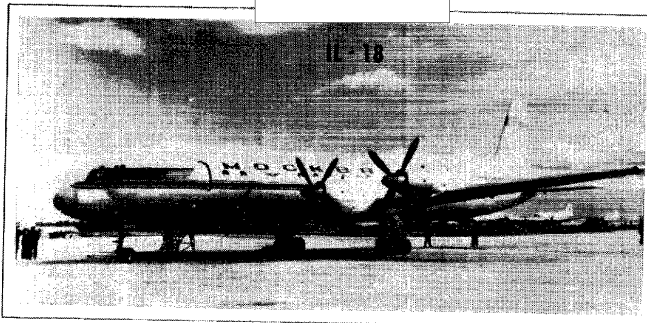
Safety

The Soviet Union, unlike Western countries, is not a member of the International Civil Aviation Organization, which sets rigid safety characteristics for its members' planes. The large number of crashes of TU-104s and IL-18s

within the past few years attests to the inferiority of Soviet aircraft to Western models in safety characteristics. Because of its high landing speed, there have been many cases of tire failures on the TU-104, and on occasion water trucks have been employed to wet down the brakes. Few underdeveloped countries have runways long enough to accommodate a TU-104 safely.

Serious safety deficiencies have also been evident in the

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CURRENT INTELLIGENCE WEEKLY SUMMARY

IL-18s, and they were grounded for a time in 1960 following a series of widely publicized crashes. The trouble apparently resulted from engine fires, which could not be confined and extinguished because of lack of adequate fire protection. Although the IL-18s are again flying, there is reportedly still considerable skepticism about the aircraft's safety among Soviet and satellite travelers. The operational safety of several other medium transports--the AN-8, AN-10, and AN-12--is also questionable, since they use the same engine as the IL-18.

An additional defect of Soviet turboprop transports is the comparatively lengthy time required to feather malfunctioning engines; a few seconds lost can mean serious structural damage.

Cost and Economy

The initial unit cost is lower for Soviet transports than for the equivalent Western aircraft, but such hidden costs as those arising from maintenance problems and expensive spare parts requirements make the difference illusory.

The high cost of spare parts can make the Soviet aircraft expensive, even as a gift. Hungary received three IL-18s gratis only to learn later that the necessary stock of spare parts would cost more than the assessed value of the aircraft. Maintenance is easier for purchasers of Western aircraft. US aircraft manufacturers have offered buyers complete maintenance

facilities in their own countries, thus obviating the need for lengthy waits for parts and overhaul.

Frequency of overhaul has also been a serious drawback of Soviet aircraft. Soviet aircraft engines average only 200 hours before major overhaul. By comparison, the average intervals between engine overhauls on Western aircraft is 1,000 to 1,800 hours. Soviet propellers, likewise, are short-lived. The estimated life of a propeller blade for the Soviet turboprop engine is only 300 to 600 hours, as opposed to 2,500 hours for a comparable Western model.

The result is a vast disparity in the operational availability of a Soviet aircraft and a comparable Western model. US jet transports, for example, fly on the average three times as much as their Soviet counterparts.

Even bloc purchasers have accepted Soviet aircraft reluctantly.

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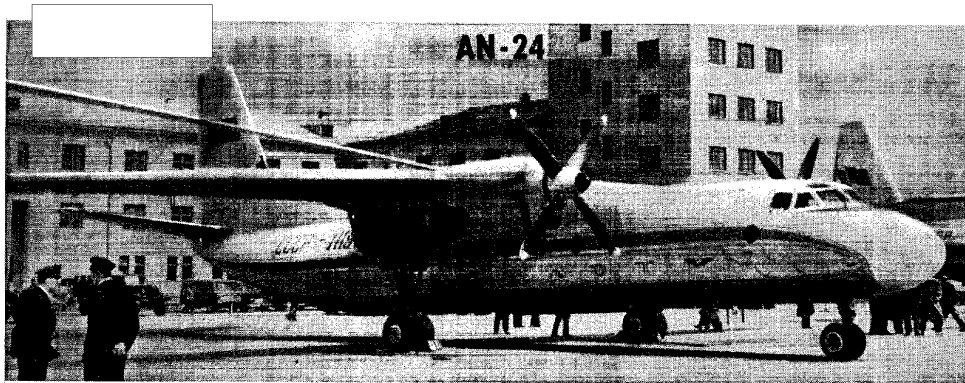
Soviet aircraft purchased by nonbloc countries have had other serious faults affecting economy of the operation. The AN-12 turboprop transports, for example, have experienced fuel tank ruptures and blown tires. Ghana Airways has had to change its Khartoum-to-Accra schedule from a weekly to a bimonthly run because of engine failures on the IL-18 in the African heat.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

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Prospects for Soviet Sales

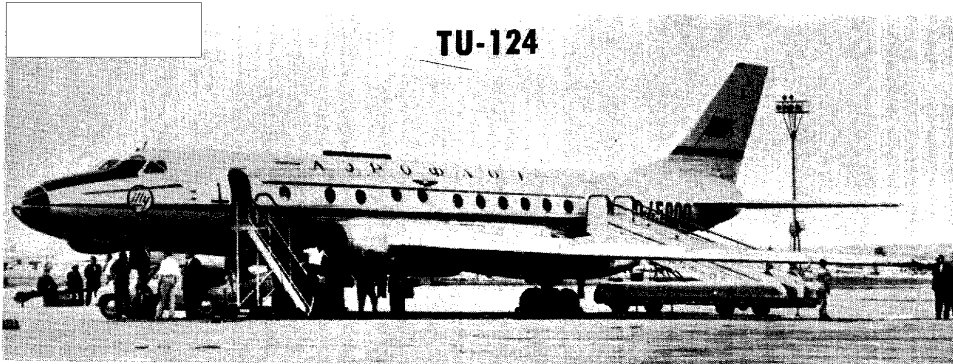
The shortcomings and unsuitability of some models of Soviet aircraft have been readily recognized by prospective purchasers, who have viewed Soviet offers with skepticism. Thus the Soviet Union has never been able to sell the TU-104 outside the bloc, although it has frequently offered the plane to Middle East countries. However, Soviet willingness to sell at a reduced price and to provide favorable terms--

especially including payment in native currency--are strong inducements and have brought limited acceptance of the IL-18.

The newest transports in the Soviet inventory--the short-range turboprop AN-24 and short-range jet TU-124--are smaller and more economical than earlier models, and offers of these aircraft to underdeveloped countries will probably meet with greater success. (Prepared by ORR)

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CONFIDENTIALCURRENT INTELLIGENCE WEEKLY **SUMMARY**

PRESIDENT KEKKONEN OF FINLAND

Urho Kekkonen, who will visit the United States for approximately two weeks beginning 16 October, in almost six years as President and previous periods as prime minister has become Finland's most controversial postwar leader. Now nearing the end of his term as President, Kekkonen is in the midst of a bitterly contested campaign for re-election early next year.

The Finnish presidency is invested by the constitution with special powers in the conduct of foreign relations, and Kekkonen has wielded these powers actively. As a result, he has been sharply criticized for what many of his countrymen regard as an excessively accommodating attitude toward the Soviet Union and a tendency to portray himself and his Agrarian party as the only elements in Finland capable of maintaining good relations with Moscow. He has incurred further criticism for keeping a hand in party politics despite a Finnish tradition of an austerely nonpartisan head of state.

Born in north-central Finland in 1900, the son of a logging foreman, Kekkonen has been physically vigorous all his life. He was national high-jump champion in his youth and engaged in a six-mile ski race with 58-year-old King Olav during his state visit to Norway earlier this year. Kekkonen studied law at the University of Helsinki and received his Doctorate of Law degree there in 1936, after having done post-graduate study in Germany.

As a young lawyer, Kekkonen dedicated himself to a political career and eventually became legal adviser to the Agrarian party--one of Finland's three largest parties, along with the Social Democrats and the Communist-front Finnish People's Democratic League (SKDL). Kekkonen, like other aspiring young politicians who joined the party during this period when it suffered from a dearth of young leaders, is widely referred to as an "asphalt agrarian" because of his tenuous connection with the rank-and-file small farmers.

Kekkonen was first elected to parliament in 1936 and rose rapidly in government circles. By the time of the Winter War with the USSR (1939-40), he had already held three ministerial posts. Little is known of his official activities during World War II except that from 1940 to 1943 he was chief of the Bureau for Displaced Persons, an organization whose task was to aid refugees from Karelia, the border province lost to the USSR in 1944.

Postwar Career

Following the war, Kekkonen served in a number of high positions, including that of director of the Bank of Finland and minister of justice. While serving in the latter capacity from 1944 to 1946 he handled the proceedings against eight prominent Finnish wartime leaders who at Soviet insistence were tried as "war responsables." These trials aroused much resentment and controversy in

CONFIDENTIAL

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CURRENT INTELLIGENCE WEEKLY SUMMARY

Finland since the overwhelming majority of Finns regarded the eight as patriots. Kekkonen incurred the dislike of conservative and labor groups as a result of his part in the trial, even though he played a relatively minor role in the actual proceedings.

He first became premier in 1950, and before he was elected president in 1956 had headed five cabinets--nearly all of them coalitions composed of Agrarians and Social Democrats. It was during this period that Kekkonen established his reputation as the leading Agrarian party politician and tightened his control of the party, which he has retained to this day. He also became known as one of the few non-Communist political leaders in Finland considered persona grata by Moscow, and began to groom himself to succeed the aging elder statesman Juho Paasikivi, a Conservative party member, as Finland's next president.

Presidency

Kekkonen won the presidency by the narrowest margin in the history of Finland's electoral college--151 votes to 149 for his Social Democratic opponent. He has since sought to assume the dignity of his office, but there remains a gap between the gregarious Kekkonen and the stereotype of the remote and austere presidents of Finland who are accorded a respect similar to the deference paid elsewhere to royalty. He has proved to be a "strong" Pres-

ident who has not hesitated to exercise to the fullest the extensive powers granted him by the constitution.

His term of office has been marked by bitter recriminations between his supporters and those of almost all the other non-Communist parties. In addition to charges that he has failed to rise above partisan considerations and personal animosity in the discharge of his presidential duties, there has been sharp criticism of his performance in the all-important area of Soviet-Finnish relations. He has chosen to deal personally with any serious problems arising between Finland and the Soviet Union, and his frequent bypassing of the Foreign Ministry and of parliamentary committees in handling these matters has caused some resentment.

Soviet-Finnish Relations

Kekkonen's views on the nature of Finland's relations with the Soviet Union are directly influenced by his belief that in order to maintain its precarious position of independence, Finland can never pursue political or military policies in direct conflict with the strategic interests of the Soviet Union. In essence this is what is referred to in Finland as the "Paasikivi line," which Kekkonen's supporters, in the campaign to choose presidential electors this January, are seeking to describe as the "Paasikivi-Kekkonen line." Acceptance of this policy dictates

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CURRENT INTELLIGENCE WEEKLY SUMMARY

that Finland must pursue a passive foreign policy, the principal objective of which is to avoid embroilment in disputes between the major powers.

For Kekkonen the basic problem of Finnish foreign policy is to convince the Soviet Union of the security of its northwestern frontiers and to assure Moscow of Finland's determination to resist attack which might be launched against the Soviet Union across Finland. Finnish officials regard this as the old problem of overcoming traditional Russian suspicion and seeking to assure Moscow of the security of adjacent strategic areas such as Leningrad and Murmansk.

All non-Communist parties in Finland support this policy of nonprovocation, but there are differences of opinion as to how far Finland should reasonably be expected to go in this respect. The opposition parties maintain that Kekkonen has carried the assurances of a friendly Finland on Soviet borders a step further and has acquiesced in Soviet intervention in Finland's internal affairs. They cite the 1958 cabinet crisis when Moscow refused to conclude a trade agreement until the coalition government of Social Democratic Premier Fagerholm had been replaced by a government more to its liking. Kekkonen's handling of the question of Finland's association with the European Free Trade Association (EFTA) in early 1961 is also criticized because he sounded out Moscow's views beforehand, although only economic considerations were involved.

Kekkonen, however, maintains that a policy of "brutal frankness and honesty" is necessary in dealing with the Russians and that even an essentially economic matter acquires political overtones in the eyes of the ever-suspicious Russians. Finland, therefore, must be prepared to go to great lengths to assuage these suspicions.

Kekkonen's views are also influenced by his pessimistic outlook on the outcome of the East-West struggle. He believes that in the past few years the world balance of power has shifted from the Western powers to the Sino-Soviet bloc. Recalling Finland's lonely struggle against the USSR in 1939-40 and the fact that the West did not come to the assistance of Hungary in 1956, Kekkonen considers it his duty to order Finland's relations with the Soviet Union in such a manner that even if war breaks out between East and West, Finland will remain unaffected. His more pro-Western critics regard this as not only illusory but also dangerous for Finland, since it could lead to a "peace at any price" approach in dealings with Moscow.

Aware that the USSR could overwhelm Finland at any time, Kekkonen may be increasingly inclined to reconcile himself to a greater measure of Soviet intervention in Finnish affairs as the price to be paid to prevent outright annexation or absorption.

Most Finns as well as foreign observers concede that

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CURRENT INTELLIGENCE WEEKLY SUMMARY

there is no doubt as to Kekkonen's patriotism or his resistance if confronted by flagrant encroachments on Finland's independence by the Soviet Union. His defenders point out that Kekkonen was one of three parliamentary deputies who in 1940 voted to continue the war with the Soviet Union rather than accept the onerous peace terms. They also refer to Kekkonen's outspoken remarks at various official dinners and luncheons during Khrushchev's visit to Helsinki in September 1960 on the occasion of Kekkonen's 60th birthday. The President then asserted that the Communist system was not an appropriate one for his country and that Finland would not become Communist--even if all Europe were converted--unless a majority of its people so desired; he added that he thought this would never be the case.

Kekkonen's critics, however, fear that in a crucial situation he may not have the courage and strength of character of Paasikivi, who, they maintain, was ready to say "no" to Soviet demands when he believed Finland's interests might be adversely affected. These critics also believe that Kekkonen is prepared to go to any lengths to lessen the possibility of Northern Europe's involvement in a future war and that to accomplish this he would be prepared to try to push the Soviet line of coaxing Norway and Denmark away from NATO. Thus far, however, he has not seriously advocated this line in his frequent contacts with his Scandinavian colleagues.

Travel

Kekkonen has used extensive travel in Europe--particularly in Scandinavia--as one means of seeking to develop greater understanding of Finland's special position between East and West. He has also made numerous trips to the Soviet Union, most recently in January 1959 when he met Khrushchev in Leningrad to discuss the crisis in Finnish-Soviet relations. Earlier this year Kekkonen made official visits to both Britain and Norway. His visit to Canada and the US is regarded by some observers as an effort to strengthen his position in this pre-election period and to mollify critics who believe his numerous trips to the Soviet Union have given him a distorted view of the world power balance.

How much Kekkonen's own views may be affected by Western visits is somewhat questionable.

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Finns generally feel that their national history has left them little to learn from the West in dealing with the USSR, and Kekkonen

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impervious to any outside influence in the matter of Soviet-Finnish relations.

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CURRENT INTELLIGENCE WEEKLY SUMMARY**CYPRUS AFTER A YEAR OF INDEPENDENCE**

The first anniversary of Cypriot independence--16 August 1961--found the new republic facing a multitude of political and economic problems: high unemployment, the fourth consecutive year of drought, increasingly frequent outbursts of violence, and growing Communist strength. Neither the Greek Cypriots (80 percent of the population) nor the Turkish Cypriots (18 percent) celebrated the anniversary, although government leaders observed the event with a reception. Unlike most colonial areas which have gained independence in recent years, there was never a movement for a free Cyprus, and no Cypriot "nationalism" exists today.

The London-Zurich Agreements, which established the republic, have been observed for the most part by all parties signing them in 1959--the Greek and Turkish Cypriot communities and the governments of Greece, Turkey, and Britain--because all of them prefer the present arrangement, unsatisfactory as it may be, to the chaos that would follow their repudiation. Despite the island's many problems, the complicated machinery of government set up primarily to protect the Turkish Cypriot minority has proved workable, largely because of the efforts of the Greek Cypriot President, Archbishop Makarios, and the Turkish Cypriot vice president, Fazil Kuchuk.

Neither Makarios nor Kuchuk has pressed demands for solutions to remaining specific disputes as long as further negotiations leading to a compromise are possible. When disputes within the government have come to a head, however, Makarios has acted with firm-

ness bordering on disregard of the Turkish position.

The two leaders are probably aware that their subordinates and likely successors would be less likely to accept compromise--a fact that emphasizes the necessity of settling outstanding problems before they leave office. General elections are scheduled in 1965, and Makarios has frequently stated his desire to retire from political life at the earliest opportunity.

Communal Issues

The two major problems to be negotiated between Greek and Turkish Cypriots when independence was proclaimed were the establishment of separate Greek and Turkish municipal governments in the five cities on Cyprus--as provided for in the constitution--and the implementation of constitutional provisions for a 70:30 ratio between Greeks and Turks in the civil service. Considerable progress has been made toward fulfilling the requirement on civil service.

Negotiations on municipal governments remain deadlocked, however, with the Greeks pressing for administrative separation and the Turks demanding geographic partition. In April, the Turkish members of the legislature, in an effort to force a more rapid pace in negotiations, refused to approve an extension of the tax law. Makarios ordered the tax collectors to continue their work, despite general agreement that he lacked authorization for such a move. Recently there have been indications that the Turks may be willing to modify their position on the municipal governments issue.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

There has been a revival of extremism in both communities. Reports of shootings and beatings of political opponents became more common in the summer of 1961. There are continuing reports that both sides are smuggling arms into Cyprus for possible future use by terrorist groups.

Among the Greeks, an organization of former members of EOKA, the underground organization which fought the British from 1955 to 1959, has been formed, calling itself the Pan-Cyprian Organization of Fighters. Both this organization and the leading non-Communist Greek Cypriot opposition party repeatedly have denounced Makarios for signing the London-Zurich Agreements and have revived the demand for "enosis"--union with Greece.

Among the Turks, there is an apparent loss of confidence in the settlement, based on fear of economic domination by the Greeks, the delay in implementing the constitutional provisions designed to protect Turkish interests, and the revival of the enosis campaign. Partition, long the Turkish reply to enosis, is again being suggested as the "final answer."

Communism

Communism is not at present a threat within the Turkish community, but among the Greek Cypriots it remains the greatest potential danger for the future of the republic. The Communist party, known as the Restorative Party of the Working People (AKEL), the only large organized political party on Cyprus, received nearly 40 percent of the Greek Cypriot vote in the 1960 legislative elections. The party has five of the 35 Greek members of the House of Representatives--because of a pre-electoral agreement with Makarios--and controls the municipal governments in three of the five cities.

AKEL continues to gain support by astute exploitation of grievances among the Greek Cypriots. The economic problems, the existence of the two British bases on the island, and a latent neutralist sentiment among the population all invite such exploitation.

The Communists dominate the largest and most effective trade federation on Cyprus, have active youth organizations, and are expanding front groups among farmers and women. Their campaign has been aided by the Soviet Embassy, established in Nicosia in December 1960, and by visiting Soviet cultural and sports groups. A Soviet-Cypriot Friendship Society was created in March 1961. Radio Moscow began daily broadcasts to Cyprus in Greek and Turkish in the spring of this year. AKEL has thus far failed, however, in its campaign to force Makarios to request Soviet economic aid. The Soviet Embassy has repeatedly stated that such aid is available if requested.

The only major non-Communist Greek Cypriot political organization is the government's Patriotic Front, and this, in essence, is a loose coalition thus far dominated by Makarios. While the Front is not now an orthodox political party, there have been repeated reports that it is to be revamped, with district and local organizations established and a program designed to counter some of the appeal of AKEL. The non-Communist labor federation, far smaller than its AKEL-dominated counterpart, lacks the funds and leadership to successfully challenge its opposition for control of organized labor.

The government has indicated it may be about to move against the Communist threat. In July, Makarios warned AKEL against "undermining" the work of the government and implied that AKEL's recognition as a legal party, reinstated by the

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CURRENT INTELLIGENCE WEEKLY SUMMARY

British shortly before independence, may again be withdrawn.

Foreign Relations

Cyprus' relations with the major powers and with neighbors in the area are generally good. There has been no outstanding problem with Britain. There were occasional acts of sabotage against the water line to one of the two British bases in July and August; these appear to have been a reaction by farmers to the government's failure to provide an adequate water supply, rather than a demonstration of antipathy toward Britain. Cyprus decided in March 1961 to remain within the Commonwealth for a period of five years.

The Communists have criticized the existence of American communications facilities on Cyprus, the labor policy of the American-owned Cyprus Mines Corporation--largest employer on the island--and the "meddling" in domestic labor matters by American personnel. The government, however, has largely ignored the complaints and has maintained close relations with the US Embassy.

Britain has supplied \$15,-000,000 in grant aid during the first year of independence. The US has sent 50,000 tons of PL-480 grain, and in June 1961 signed a technical cooperation agreement with Cyprus. In August, the Cypriot Government unveiled an ambitious five-year development program calling for the expenditure of some \$173,-000,000. It hopes to secure half of the funds from foreign sources. Makarios simultaneously announced plans to sell the "largest part" of the archbishopric lands to landless farmers and those with small holdings.

Makarios' visit to the UAR in June was approved by nearly all members of his community, although the Turks were miffed by the obvious Egyptian disre-

gard of Turkish Cypriot views. A Turkish Cypriot delegation recently visited Israel. Greece and Turkey have small military contingents on the island, and an agreement between Athens and Ankara for supplying arms to the new Cypriot Army appears imminent.

Makarios' performance at the neutralist conference at Belgrade probably gives the best indication of the government's present foreign policy. He emphasized by his attendance that Cyprus is committed to a policy of nonalignment. This is a policy generally approved by the Greek community--but not by the Turks. When Kuchuk threatened to veto Cypriot participation in the conference as in disregard of special treaty obligations, Makarios replied that if a policy of neutrality was in conflict with provisions of the constitution or any treaty, then such provisions were "completely unacceptable, as the interests of the people of Cyprus are above all." This dismissal of Kuchuk's threat did not lead to a veto, and Makarios went to Belgrade, but he was accompanied only by members of the Greek community.

In his speech before the Belgrade delegates, Makarios denounced all forms of colonialism and called for self-determination for all people--including the Germans. His remarks on Germany and Berlin were closer to the Western position on these issues than those of any other speaker and were promptly criticized by the Communist press on Cyprus. Greek Cypriot leaders are aware of the republic's dependence on the West and generally support the Western view in most international organizations. They also recognize, however, the potential value of association with the nonaligned states--particularly should the present settlement founder and the "Cyprus issue" once again be raised before the United Nations.

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