

SECRET

COPY NO. 369
OCI NO. 0304/61

3 November 1961

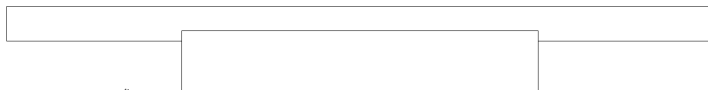
CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

State Department and OSD review(s) completed

SECRET



25X1

25X1

RETURN TO ARCHIVES & RESEARCH CENTER
IMMEDIATELY AFTER USE
79T907 BOX 34

208522
56

THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECTIONS 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

The Current Intelligence Weekly Summary has been prepared primarily for the internal use of the Central Intelligence Agency. It does not represent a complete coverage of all current situations. Comments and conclusions represent the immediate appraisal of the Office of Current Intelligence.

Page Denied

25X1

Next 4 Page(s) In Document Denied

25X1

25X1

25X1

OSD REVIEW
COMPLETED

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****SOVIET PARTY CONGRESS**

The final days of the 22nd Soviet party congress were highlighted by new revelations of the crimes of Stalin, a clear warning to Albania that it faces expulsion from the Communist bloc, and a reshuffling of the Soviet party's top governing bodies.

On 30 October, Khrushchev delivered a "summary" address in which he leveled fresh charges at Stalin and called for the construction of a monument to victims of Stalin's terror. Demands were made at the congress that Stalin's body be removed from the Lenin-Stalin Mausoleum on Red Square. The congress unanimously approved the proposal, and Stalin's remains have now been buried in the Kremlin wall.

This final degradation for Stalin was obviously intended to destroy once and for all the symbol of past terror and to sharpen the contrast between his style of rule and that of the present "Leninist" leadership. Throughout the congress, attacks on Stalin and the anti-party group were accompanied by increasingly fulsome accolades for Khrushchev which served to define clearly the advantages of his rule and to establish further his authority in the Communist hierarchy.

There were, however, signs of Kremlin concern that the burgeoning "cult of Khrushchev" might be subject to misinterpretation. By the end of the week, Moscow intellectuals were asking how Khrushchev could continue his attacks on Stalin while building his own "personality cult." Khrushchev himself chided congress delegates for the tribute he had received, pointing out that it should properly have gone to the central committee. While subsequent speakers paid lip service to collective leadership, however, there was no significant

diminution in favorable references to Khrushchev.

On 28 October, party secretary Frol Kozlov--Khrushchev's second-in-command--delivered the report on the proposed new statutes governing the internal life of the party. His remarks made it clear that the statutes would go into effect as published for "discussion" last August.

The congress went into its final phase on 30 October with the election of a new central committee of 175 full and 156 candidate members--an increase of approximately a third over the central committee elected at the 20th congress in 1956. The new central committee held a brief plenum on 31 October to "elect" the presidium and secretariat, the Soviet party's top governing bodies.

Khrushchev's reshuffling of these two bodies leaves unaffected his principal deputies--Kozlov, Suslov, Mikoyan, Kosygin, and Brezhnev. Kozlov's position as number-two man was formalized by placing his name second, after Khrushchev's, in the listing of the new secretariat. The rest of the names were in the usual alphabetical order. In line with Khrushchev's emphasis on the supremacy of the party, most of the newcomers are party professionals.

Probably the most important result of the changes is the strengthening of the party's administrative arm--the secretariat, which is headed by Khrushchev. It was enlarged from five to nine members. Ilichev, the propaganda chief; Shelepin, currently head of the secret police; Ponomarev, party ideological expert; and Spiridonov and Demichev, both regional party leaders, have been added. Mukhitdinov, formerly the top Asian expert, has been dropped. Mukhitdinov also apparently had responsibilities in the field of Soviet-Albanian relations.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****SOVIET COMMUNIST PARTY
(LEADING ORGANS)**

PRESIDIUM				SECRETARIAT	
FULL MEMBERS		CANDIDATE MEMBERS			
OLD	NEW	OLD	NEW	OLD	NEW
A.B. Aristov	L.I. Brezhnev	V.V. Grishin	V.V. Grishin	N.S. Khrushchev - 1st Secy	N.S. Khrushchev - 1st Secy
L.I. Brezhnev	N.S. Khrushchev	Ya. E. Kalnberzin	Sh.R. Rashidov*	F.R. Kozlov	F.R. Kozlov
Ye.A. Furtseva	A.N. Kosygin	A.P. Kirilenko	K.T. Mazurov	O.V. Kuusinen	P.N. Demichev*
N.G. Ignatov	F.R. Kozlov	D.S. Korotchenko	V.P. Mzhavanadze	N.A. Mukhitdinov	L.F. Ilichev*
N.S. Khrushchev	O.V. Kuusinen	K.T. Mazurov	V.V. Shcherbitsky*	M.A. Suslov	O.V. Kuusinen
A.N. Kosygin	A.I. Mikoyan	V.P. Mzhavanadze			B.N. Ponomarev*
F.R. Kozlov	N.V. Padgorny	M.G. Pervukhin			A.N. Shelepin*
O.V. Kuusinen	D.S. Polyansky	P.N. Pospelov			I.V. Spiridonov*
A.I. Mikoyan	N.M. Shvernik	G.I. Voronov			M.A. Suslov
N.A. Mukhitdinov	M.A. Suslov				
N.V. Padgorny	G.I. Voronov				
D.S. Polyansky					
N.M. Shvernik					
M.A. Suslov					

*Individuals elected to Presidium or Secretariat for first time.
Listed below are their other current positions.

Demichev - Party 1st Secretary, Moscow City

Ilichev - Head, Propaganda & Agitation Department of the Party's Central Staff

Ponomarev - Head, International Department of the Party's Central Staff

Rashidov - Party 1st Secretary, Uzbek Republic

Shcherbitsky - Premier, Ukrainian Republic

Shelepin - Chairman, Committee of State Security (KGB) under the Council of Ministers, USSR

Spiridonov - Party 1st Secretary, Leningrad Oblast

2 NOVEMBER 1961

6111013

25X1

The presidium, which is charged with the over-all formulation of Soviet policy, now consists of eleven full and five candidate members. Four full and five candidate members were removed; the majority were officials whose political prestige had been waning for some months. Despite their advanced age, Kuusinen and Shvernik were retained on the presidium and also as central party secretary and chairman of the party control commission, respectively. As in the past, the candidate members--who have only a consultative voice in policy deliberations--were drawn chiefly from representatives of the Soviet Union's national minority areas.

G. I. Voronov, a fast-rising party professional with considerable experience in agricultural work who was brought into the presidium as a candidate less than a year ago, was promoted to full membership. He was also made Khrushchev's first deputy in the bureau which administers party affairs in the Russian Republic (RSFSR).

The congress devoted the afternoon of 31 October to for-

mal endorsement of Khrushchev's policies. His central committee report, the party program, and the new party statutes were adopted unanimously. Khrushchev's brief closing remarks were devoted primarily to thanking the various foreign delegations for their participation.

The cases of the ring-leaders of the anti-party group--Molotov, Malenkov, and Kaganovich--apparently will be turned over to the party control commission for review, as was suggested in Shelepin's speech to the congress. Mikhail Pervukhin lost his candidate membership on the presidium, and with Bulganin, Sakarov, and Voroshilov was dropped from the central committee.

Foreign Policy Implications

Closing speeches by the Soviet leaders made it clear that the attack on Albanian leaders Shehu and Hoxha was intended as a challenge to the Chinese to cut their ties with Albania rather than support a state which the USSR and the European satellites considered outside the bloc. Khrushchev specifically took up Chou En-lai's

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

rebuke for bringing the dispute into the open, and replied that if the Soviet central committee had taken any other stand it would have appeared "to be afraid" to report the disagreement with Tirana to the party.

Khrushchev claimed the USSR had done "everything in its power" to bring about good relations with the Albanian leadership. With heavy sarcasm, he said that if the Chinese desired to mediate the dispute, "hardly anyone can make a better contribution to the solution of this problem than the Communist party of China." Khrushchev underlined the meaninglessness of this "appeal" by making it clear that only the removal of Hoxha and Shehu would satisfy the Soviet party.

Kozlov on 28 October left no doubt that the Soviets consider the Albanians outside the bloc as long as there is no formal recantation or change in the Albanian leadership. He warned that the "vicious policy" of the Albanian leaders "can lead to the breaking away from the socialist camp" and to the political isolation of the Albanian party in the international Communist movement. Kozlov also attacked Chou's position by stating that "true unity" cannot be based on "hushing up the vicious course of the Albanian leadership."

Chinese Communist Reaction

While Khrushchev and his fellow speakers spared little effort to drive home their public challenge to the Chinese, Peiping has avoided a reply in kind. Since Chou's 19 October rebuke to Khrushchev, Peiping has not commented directly on the Albanian and anti-party issues. The silence probably reflects the careful deliberation the Chinese politburo has been giving the preparation of its position, and a statement may be forthcoming soon.

Chinese propaganda meanwhile continues to walk a careful middle course. During the past week, Peiping has broadcast a reaffirmation of its support for Tirana, and has explicitly endorsed the Hoxha leadership. On the other hand, it has carried in full the bitter Soviet condemnation of Hoxha while ignoring the vituperative Albanian attacks on Khrushchev.

Although the Chinese response is being composed in an atmosphere of deepening economic troubles within China, it is doubtful, as Chou En-lai implied at the Soviet congress, that these alone will sway the Chinese. Faced with similar economic woes during last year's Sino-Soviet outburst, Peiping did not yield, despite the fact

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

that the withdrawal of Soviet technicians contributed to a distasteful interruption in its industrialization drive. China's economic difficulties have doubtless grown worse, but as long as the leadership remains willing to suffer a diminished rate of industrial growth, Khrushchev's economic leverage falls short of being decisive.

Should Peiping delay further the publication of its reply to Khrushchev, some indication of the Chinese mood will be apparent from Peiping's treatment of the Soviet October Revolution anniversary on 7 November and the 20th anniversary of the Albanian party on 8 November. According to a Western press service in Peiping, diplomatic observers there expect the Chinese to send a high-ranking delegation to the Tirana celebrations. Peiping's rump delegation to the Soviet party congress left Moscow as quickly as possible after the close of the congress on 31 October.

Albanian and Satellite Reaction

Albania this week appeared ready to go on the offensive in replying to Soviet attacks on its leadership. Although Albanian propaganda media had reported telegrams and letters protesting the attacks since 20 October--when Tirana issued its statement of defiance--editorials in the leading party daily, Zeri i Popullit, at first merely reasserted the correct-

ness of the Albanian position without specifically mentioning Khrushchev.

On 1 November, however, Zeri i Popullit labeled Khrushchev a "splitter and underminer of international Communism." It claimed that he had failed in his objective, since only 25 of the 71 Communist party delegations had endorsed his attacks. It described his attacks as drawn upon "false, dirty lies" peddled by imperialists and Yugoslav revisionists.

The European satellites have been extremely cautious in handling the Albanian situation. Aside from reprinting anti-Albanian statements made at the Soviet congress, they have largely indulged in editorial comments which go no further than these speeches. None of the satellites has reprinted the Albanian central committee declaration, and only Poland has reprinted the Chinese delegate's comments.

Czechoslovakia was the first to add to the criticism of Albania aired at the congress, charging that Albania, covering up its economic failures by relying on economic aid from the "socialist camp," had objected to the policy of offering aid to independent countries in Asia and Africa as strengthening a potential enemy while failing to aid "socialist camp" countries. 25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

SOVIET MOVES IN THE BERLIN SITUATION

Soviet response to the US display of force at the Berlin sector border last week reflects Moscow's desire to give strong support to East German claims to authority over East Berlin without bringing on a test of strength on this issue prior to formal East-West negotiations or the signing of a peace treaty with East Germany.

The new East German demands that US personnel in civilian clothes identify themselves to East German police before crossing into East Berlin constituted a further move to maneuver the US into recognizing East German sovereignty in East Berlin. This latest move probably was based on the assumption that the US would acquiesce in the new identification procedures, particularly since the British have long complied with them in practice. The US response in providing armed escorts to accompany officials in civilian clothes crossing the border, backed by a display of US armor on the sector border, seems to have caught the Soviet and East German authorities by surprise.

After a period of apparent hesitation, the Soviet commandant in East Berlin sent a letter to the US commandant on 26 October rejecting the US demand that a Soviet officer be stationed at the checkpoint and warning that use of force by the US would be met by "countermeasures" from the Soviet side. Following two additional US armed probes into East Berlin on 27 October, seven Soviet T-54 tanks were moved up to the Friedrichstrasse checkpoint.

On the same day, Foreign Minister Gromyko rejected Ambassador Thompson's protest re-

garding the East German actions and delivered a counterprotest which warned that if the US probes continue, "they will be regarded as an act of provocative armed invasion of GDR territory, and the German Democratic Republic will be given necessary support for purposes of ending such actions." Gromyko also rejected the US demand that a Soviet officer be stationed at the checkpoint and asserted, in effect, that the East Germans have the authority to permit or deny all passage across the sector border. He acknowledged, however, that US military personnel are permitted to visit East Berlin without hindrance, provided they observe the "necessary formalities."

Gromyko made no response to Thompson's suggestion that discussions could be continued in Moscow or Berlin. He charged that US countermeasures were in violation of his understanding with Secretary Rusk that neither side would resort to unilateral action and asserted that the US evidently had changed its position. The USSR, he added, would be compelled to draw the "appropriate conclusions."

On 28 October, the Soviet tanks were drawn back from the crossing point after facing US tanks for 15 hours. The Soviet tanks left first, but Soviet armed troops began patrolling the half-mile stretch of road between the Soviet tank park near Unter den Linden and the checkpoint.

The Soviet show of force seems to have been held to the minimum judged by the Soviet leaders as sufficient to avoid any appearance of retreating in the face of the US display of force and to maintain the credibility of repeated Soviet

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

commitments to defend East Germany in the event of a Western resort to force over the Berlin issue. The intervention of Soviet forces tends to undercut the USSR's contention that it has no further responsibility in a matter which is the concern of the East Germans alone. However, Moscow apparently felt obliged to take actions to induce the US to forego further use of armed escorts, to protect the East Germans against further blows to their prestige, and to prevent a test of strength which might jeopardize the prospects for formal East-West negotiations.

Despite Gromyko's defense of East German claims to sovereignty over East Berlin and his insistence that these "sovereign rights" are not subject to negotiation, the Soviet leaders probably recognize they are on weak legal ground in challenging Western military access to East Berlin prior to the signing of a peace treaty, which they claim will liquidate all vestiges of the four-power status of Berlin.

Despite the tense situation in Berlin on 27 October, Khrushchev in his speech to the party congress that day reiterated his previous statement withdrawing a deadline for a German treaty and urging a "businesslike and honest solution" of the German problem. He also endorsed further US-Soviet exploratory talks in order "to prepare fruitful negotiations," although he coupled this with a warning against the use of talks merely to delay a settlement.

Khrushchev did not touch directly on the events in Berlin, but he stressed his usual line that it was time the West realized that it could not negotiate with the Soviet Union

on the basis of "positions of strength."

Demarche to Finland

On 30 October, Foreign Minister Gromyko handed the Finnish ambassador a note requesting that consultations begin under the terms of the 1948 mutual assistance treaty, which provides that the two countries will confer "if it is established that the threat of an armed attack" by Germany or an ally "is present." The Soviet note cited the "alarming situation" in Germany and proposed to hold consultations on "measures for ensuring the defense of the frontiers of both countries" from the threat of attack by West Germany.

The immediate Soviet aim probably is to represent Finnish agreement to hold such consultation as an endorsement of the Soviet contention of an increasing military threat from West Germany.

25X1

25X1

In view of Khrushchev's open support for Kekkonen, only recently reaffirmed during Soviet President Brezhnev's visit to Finland, it is doubtful that

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

Moscow will make extensive political demands or requests for military bases. In a recent interview with an American journalist Khrushchev once again took personal credit for the decision to relinquish the Soviet base at Porkkala. It is likely, however, that the Soviets will make it clear that they expect a Finnish signature on any German peace treaty.

Pressure on Finland will also be used by the USSR to influence the German policy of the other Northern European countries. The Soviet note, which was also given to Sweden for information, accused "leading Swedish circles" of underestimating the danger of German militarism and made extensive charges against Norway and Denmark for cooperating with Bonn's alleged aggressive plans. Norwegian Foreign Minister Lange will visit the USSR in mid-November, and the demarche to Finland may have been timed to set the stage for a more aggressive Soviet line against both Norway and Denmark.

Finnish, Scandinavian Reaction

The Soviet note took the Finns by surprise and demonstrated that their profession of neutrality--the so-called Paasekivi-Kekkonen line--does not ensure noninvolvement in "great-power conflicts." Foreign Minister Ahti Karjalainen has flown back to Helsinki from the United States, where he was accompanying President Kekkonen on his tour ending 2 November.

The Finnish Government will undoubtedly agree to some kind of "talks" with the USSR. The Finns would, however, be reluctant to accept the Soviet view that present circumstances correspond to those

specified in the treaty as requiring mutual defense consultations. Acceptance of this Soviet contention would open the door for Soviet demands for closer military cooperation. A leading Helsinki newspaper stresses that mutual verification of the existence of a threat of aggression by Germany against Finland or the USSR through Finland is the prerequisite for consultations as proposed by the USSR; the paper urges the Finnish Government not to be too hasty in the matter.

The Soviet note has greatly alarmed the Scandinavians, particularly the Swedes. The Russian move, however, is regarded primarily as a cold war measure directed against West Germany. The three Scandinavian cabinets have met in emergency sessions, and the Norwegian and Danish governments have rejected the charges against them in the Soviet note by stating that their association with NATO is solely defensive in character.

Within Finland there is considerable depression over the involvement of Finland in world politics. The question of relations with the USSR will assume an even more prominent role in the presidential election campaign, already under way. Kekkonen's opponents may argue that the Soviet note indicates that Finnish-Soviet relations are not as firm as claimed by him, but most Finns will be disposed to support Kekkonen's re-election as the only alternative to a crisis in relations between the countries which would be almost inevitable if an individual more closely associated with pro-Western elements were elected.

25X1
25X1**SECRET**

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

CONGO

The uneasy peace in the Congo has been broken by hostilities between central government forces and Katangan troops along the Katanga-Kasai border. On 30 October, UN authorities in Leopoldville informed Premier Adoula that a Katangan aircraft had bombed the railroad line between Kamina and Luluabourg in Kasai Province. On the same day Adoula, while stopping short of a formal declaration of war, announced a "police action" aimed at destroying the Tshombé regime.

Sporadic skirmishing along the Katangan border had begun as early as 18 October, apparently between a Congolese Army battalion and a company of Katangan troops. On 31 October, Congo Army headquarters in Leopoldville admitted that two of its battalions had crossed into Katanga. The fighting interrupted an exchange of notes between Tshombé and Adoula which showed some promise of leading to "summit" negotiations; Tshombé informed Adoula in late October that he would not consider negotiations until Congolese forces had withdrawn from Katanga. UN officials quoted Adoula on 28 October as assuring Tshombé that he would not invade Katanga.

In Stanleyville, meanwhile, Gizenga continued to recruit for his "Lumumbist" party and to strengthen his position as a counterpoise to Adoula. On

25 October he eliminated a longtime rival with the arrest of the president of Orientale Province, Jean Manzikala. There are indications that Gizenga's tacit break with Adoula is not supported by some of his former associates, including Interior Minister Gbenye. Gizenga nonetheless appears to control General Lundula, whose Congolese Army forces in Orientale and Kivu provinces total about 7,000 men.

Both Adoula and Gizenga appear apprehensive that the other may prove capable of gaining the prestige which would go with ending Katanga's secession. During the last half of October, while central government and Katangan forces skirmished along the Kasai border, Gizenga moved large numbers of troops toward northern Katanga. The American consul reported on 30 October that since mid-October Gizenga had airlifted about 1,500 troops from Stanleyville to Kindu, in addition to dispatching daily truckloads of "soldiers, equipment, and beer." Rumors of Gizenga's preparations may have prompted Adoula's announcement of a "police action" against Tshombé.

A senior UN official in Leopoldville says the present objective of central government units along the Kasai-Katanga border is to capture the airstrip at Kaniama, from which the Katangan aircraft reportedly

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

launched its attack on the Kamina-Luluabourg rail line. Although Swedish jets began a patrol of the border area on 31 October with orders to shoot down any Katangan aircraft, Ambassador Gullion has characterized UN officials as seemingly unconcerned about the war threat. In treating the Katanga air attack as a violation of their cease-fire agreement with Tshombé, UN officials appear to be interpreting the agreement-- which assures Katanga of the right of self-defense against an attack from "the exterior"-- as not applicable to Adoula's campaign to end Katanga's secession.

On 29 October, Tshombé flew from Elisabethville to Geneva for a visit of one to two weeks, ostensibly for reasons of health.

On 30 October, Soviet UN representative Zorin stated that the USSR will shortly raise the Congo issue in the Security Council, where the USSR will preside during November. Ambassador Stevenson observes that the USSR can be expected to denounce the Katanga cease-fire, endorse the central government's military action in Katanga, and publicize Tshombé's purchase of aircraft in Western Europe.

Belgium's Foreign Minister Spaak on 31 October emphasized

to Ambassador MacArthur that precipitous financial and economic sanctions taken to force Tshombé to cooperate with the Leopoldville government might lead him to nationalize certain Belgian industrial interests in Katanga. Spaak said, however, that the passports of all Belgian mercenaries henceforth would be denied and, if possible, withdrawn. Civilian personnel are to replace Belgian military at the consulate general in Elisabethville. Belgian representative Longerstaey in Leopoldville and Colonel Vandewalle, in charge of the Elisabethville Consulate General, are being recalled to Brussels to discuss possible measures to bring Tshombé and Adoula together.

Because most of Tshombé's forces are located in southern Katanga, large-scale fighting along the Kasai-Katanga border appears unlikely at this time. Should Gizengist forces move into northern Katanga, where Tshombé has garrisoned certain towns, battalion-level clashes could result. Tshombé has never exercised firm control of northern and northwestern Katanga, and invading units--even though of small size--could possibly penetrate a considerable distance toward Elisabethville. Such incursions would probably have little effect on the stability of Tshombé's regime, and in view of the distances involved would probably lose the character of a military operation. 25X1

SECRET

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

The absence of major violence between Moslems and Europeans during the 1 November Moslem demonstrations in Algeria keeps the way open for a resumption of negotiations, which both the French and the rebels appear to desire.

25X1

25X1

Another occasion for De Gaulle to express his own views on the Algerian situation will be afforded by his scheduled tour of Corsica and two departments in the Marseille area from 7 to 10 November.

The determination of French military and security forces to control the demonstrations in Algeria and to separate the two communities--emphasized by the government's allowing the press and radio to make the public aware of extensive security preparations--probably was a major factor in preventing racial clashes in the large cities.

25X1

25X1

The PAG sharply protested the shooting of Moslems by the French forces, but did not threaten any specific retaliatory action, and will probably point to the numbers of Moslems who

took part in the demonstrations, and their relatively peaceful conduct, as evidence of PAG control of the Moslem population.

The OAS may feel compelled to continue its bombing and other terrorist activities, and any firm indication that a resumption of negotiations is imminent could lead it to attempt some desperate act designed to prevent a negotiated settlement. The US consul general in Algiers commented last week that the OAS is obliged to stage increasingly spectacular feats in order to retain its influence over the European settlers.

Ministers for Algerian Affairs Joxe, in a 28 October press conference at Rocher-Noir, formally rejected PAG premier Ben Khedda's proposal of 24 October for a "speedy solution"--bypassing a self-determination referendum in favor of beginning with agreement on Algerian independence prior to negotiations on other issues. He noted Ben Khedda's willingness to pursue negotiations on the standing French policy of self-determination, however, and described the rebel statement as "a document we can sit down over and work on."

Prior to Joxe's statement, there was some evidence that high French officials in Algeria were nevertheless weighing the possible advantages of immediate accords with the PAG against the possible problems of dealing with it after a referendum confirms its leadership over the Moslems. The American Embassy in Tunis reported that there is high praise there for the "moderation, good taste, and earnestness" of Ben Khedda's statement.

Although Joxe specified in detail the guarantees the European settlers have a right to expect and refused to be drawn into the issue of sovereignty over the Sahara, his use of the phrase "unitary

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

Algeria" as the basis for a settlement may nevertheless be a hint of further French flexibility. Le Monde, pointing out that it is a rebel-coined phrase, wondered whether the government now was disposed to renounce demands which the PAG regards as incompatible with the principle of "unity." Joxe's reference to creation of a provisional authority and a local police force as "eventually desirable after a political agreement" was interpreted by the US Embassy in Paris as a sign that his efforts to enlist Moslem

members for such a body have thus far been unsuccessful.

Joxe's warning that France seeks to avoid the creation of "two Algerias" but that "necessity sometimes makes the law" appears to reflect a recent undercurrent of official thinking --attributed by the press to Premier Debré's office--that partition rather than regroupment or departure may be the lesser evil for France in the long run if a satisfactory settlement cannot be negotiated with the PAG. 25X1

SOUTH VIETNAM

Security conditions in South Vietnam last month reverted to the pattern of gradual deterioration at the village level, where the Communists maintain intensive political, propaganda, and guerrilla activity. The large-scale Viet Cong attacks and successes of September were not repeated, despite the occasion of South Vietnam's National Day on 26 October. Infiltration through Laos apparently continued at a high rate; Communist guerrilla strength within 25 miles of Saigon was pointed up by the discovery on 25 October of a half-mile-long underground installation.

In Saigon there is increased official and military criticism of Diem's administration and new insistence on the need for reform. The US Embassy's Task Force believes further deterioration or dramatic Viet Cong successes could stimulate collaboration among such circles to force changes in the government. The Task Force also notes that the government's declaration of an emergency on 18 October apparently took the public by surprise, and that rather than creating a psychological boost, it so far has contributed to uneasiness.

A government-inspired wave of public indignation against the Viet Cong over the murder of South Vietnam's liaison officer to the International Control Commission (ICC) has been extended to the commission itself --particularly to the Polish delegates--and may jeopardize the activities of the ICC.

Peiping and Hanoi in the past week have concentrated their propaganda on the situation in South Vietnam, charging particularly that General Taylor carried to Southeast Asia a "premeditated plan" to heighten tension and create conditions for US and SEATO military ventures. The North Vietnamese National Assembly closed its fall session on 27 October with an appeal to world parliaments to condemn US activities in the South, and on 30 October Hanoi published a letter to the UN reiterating earlier complaints presented to the ICC and the Geneva co-chairmen.

The visit to Saigon by Malaya's premier provoked an accusation from Peiping and Hanoi that Malaya was in collusion with the Diem government. Hanoi seems particularly concerned over Malaya's readiness to impart to the South Vietnamese some of its experience in combating Communist insurgents.

SECRET

25X1

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

LAOS

Negotiations between the rival factions in Laos toward the establishment of a coalition government have been delayed by the inability of the three princes to agree on a suitable meeting site. Souvanna's proposals for a meeting on the Plaine des Jarres received Souphannouvong's support, but were rejected by Boun Oum and General Phoumi, who suggested either Luang Prabang or Vientiane.

Boun Oum's refusal to go to the Plaine des Jarres may be due in part to fear for his personal safety; in part it is in response to Souphannouvong's refusal to accompany Souvanna to Luang Prabang in mid-October. A more compelling reason, however, apparently is the view shared by Boun Oum and Phoumi that a coalition under Souvanna would be unable to prevent domination of the government by the Pathet Lao. Boun Oum and Phoumi may be stalling on further negotiations until after General Taylor submits his recommendations on his return from South Vietnam. They may believe that American moves in South Vietnam will provide an indication as to American willingness to commit troops to Laos in support of the Vientiane government.

Military activity was limited to minor skirmishing in all zones during the past week, with the exception of a mortar attack on Xieng Khouang by a Meo guerrilla unit. Although Souvanna lodged a protest with the International Control Commission (ICC) and commented that "such provocations may hamper the three princes' meeting," he indicated at the same time his renewed desire for such a meeting.

Soviet and Chinese delegates at Geneva have seized on the renewal of military activities to charge the US with responsibility for the "provocative actions" of Phoumi's forces. The USSR has recently been urging the US to use its influence on Phoumi to reach a political settlement with Souvanna Phouma. On 25 October, Soviet delegate Pushkin read an official statement to Ambassador Harriman strongly protesting Vientiane's intransigence and warned that excessive demands on Souvanna for seats in the center neutralist group of his government could lead to a breakdown of the Geneva talks and to a "renewed outbreak of military action."

At Geneva, in new draft proposals on the critical points still at issue, Pushkin spelled out Moscow's concept of the role the ICC is to play in Laos. Essentially, he maintained that the ICC members may submit differing opinions to the co-chairmen on the basis of their findings following an investigation, but that on all issues in which the ICC is to submit conclusions or recommendations for a future course of action, it must reach a unanimously agreed position. On voting procedures, Pushkin adhered to his earlier position that the ICC, "in agreement with" the Laotian Government, could initiate investigation by a majority vote.

Pushkin also agreed that if the issue of SEATO's relationship to Laos were "satisfactorily settled," he would accept a Western demand that a guarantee be written into any neutrality declaration prohibiting the use of Laos as a "corridor for aggression."

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

"GREAT PROJECTS" IN THE SOVIET 20-YEAR PROGRAM

Khrushchev's 20-year program, as presented at the 22nd party congress, elaborated on various "great projects" in hydroelectric power, waterways, and irrigation to support the expanding economy. Although reminiscent of the grandiose land-reclamation projects of the Stalin era, these plans appear to be more feasible from an engineering as well as an economic point of view.

Stalin formulated a program of combating drought and "transforming nature" with extensive shelter belts and such ambitious irrigation projects as the Main Turkmen Canal, which was to run through the Kara Kum Desert in Central Asia. A program begun in 1948 was to establish an extensive system of shelter belts in the southern European USSR, including semi-arid regions where trees would not normally grow. Characteristic of most of these land-reclamation schemes was their requirement of immense investment for remote prospects of return.

The present plans for hydroelectric power plants do not imply the need for capital allocations of the magnitude which drained the economy in the early 1950s. The plants mentioned by Khrushchev have long been discussed and have even been reported as planned for construction by 1980. Since 1958, when Khrushchev gave priority to thermal plants because they require less initial capital outlay, the major hydropower plants have been redesigned and costs have been cut. Khrushchev's emphasis at the congress on

"inexpensive hydroelectric power" suggests that he now favors the long-term benefits of investment in hydroelectric stations, which can be used to improve flood control, water transport, and irrigation as well as to provide power.

Another project outlined by Khrushchev is the lengthening of the system of artificial waterways in the European USSR from 11,000 kilometers (6,875 miles) in 1960 to 23,000 kilometers (14,375 miles) in 1980. Projects under way for some time to build a passage 12 feet deep from the Baltic to the Black Sea, by way of the Volga and Don rivers and connecting canals, are to be completed, and a new shorter route by way of the Dnieper, Pripet, and Niemen rivers is to be initiated. The final link of the Volga-Baltic waterway, the first of these systems, is under construction and scheduled for completion in 1964.

The Khrushchev speech added few details to previously announced plans for developing new metallurgical centers. The intention to construct new plants in the Eastern Regions was first emphasized in the Sixth Five-Year Plan and was restated in the Seven-Year Plan (1959-1965). Construction of new capacity has been started in Kazakhstan and in western Siberia but is behind schedule. Although new capacity undoubtedly will be built in the Eastern and Central Regions, the Ukraine and the Urals will continue to be the principal sources of steel production during the 20-year period.

SECRET

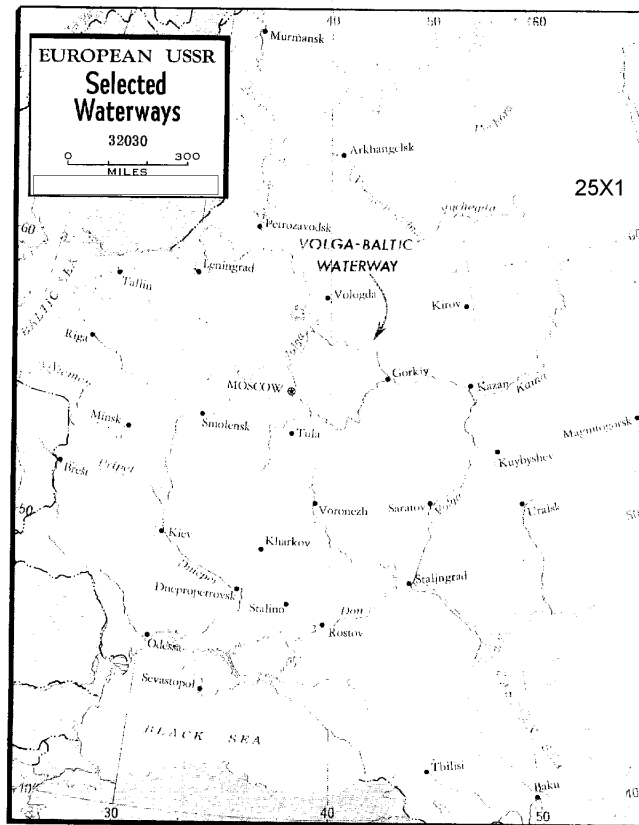
SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

Khrushchev also spoke of a plan, discussed for a number of years, to reverse the flow of the Pechora and Vychegda River system. Completion of this project would greatly increase the annual generating capacity of the Volga River's hydroelectric power plants, stabilize or reverse the falling water level of the Caspian Sea, improve river transportation out of the northern timber regions, and increase the supply of water in southern areas where moisture is a limiting factor in agricultural production.

Khrushchev's program calls for expansion of the irrigated area in the western USSR from the present 22,000,000 acres to 69,000,000 in the moisture-deficient areas and for drainage of an additional 10,000,000 acres. Many of the large irrigation projects in Soviet Central Asia he mentioned are already under way. However, agriculture does not appear to have received a sufficient priority to make the investments required to accomplish all of the irrigation goals.

[] Prepared by ORR)

25X1

**ALBANIA'S ECONOMIC RELATIONS WITH THE BLOC**

The deterioration of Albania's economic relations with the Soviet bloc in recent months has been highlighted by the departure of Soviet technicians, a reduction in trade with the USSR, a similar--although not as great--decline in trade and aid contacts with the other European satellites, and the emergence of Communist China

as the principal supporter of the Albanian industrialization program.

In contrast to previous years, when many of Albania's imports were financed by Soviet credits, Moscow probably has limited its shipments to Tirana's ability to pay out of current exports to the USSR. Reports by observers

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

in Albania since late April indicate that most Soviet personnel have left Albania. Despite reported departures of some satellite technicians, Albania's trade relations with the satellites are being maintained, although probably on a reduced scale.

In contrast to Albania's almost total dependence on Soviet and satellite aid in the past for carrying out its economic development plans, long-term credits recently granted by Communist China for Albania's current five-year plan (1961-65) exceed those promised by all other bloc countries combined. Albanian requests to the bloc for credits totaling some \$160,000,000 in early 1961 met with no response from the USSR and little from the satellites. China, however, agreed to a \$125,000,000 credit in addition to the \$13,500,000 previously extended.

Some of the \$35,000,000 in credit extended by Czechoslovakia and East Germany in 1958 is still outstanding. A Soviet credit of \$75,000,000--originally intended as the initial Soviet contribution to the Albanian plan--probably has been abrogated.

Peiping's help falls far short of filling the gap caused

by the disruption of Soviet-Albanian economic relations. Efforts to allocate the \$125,000,000 credit for specific industrial projects probably are under way, but thus far this credit has amounted to little more than a declaration of support. Chinese technicians and advisers have been arriving in Albania regularly since mid-1961, and by the end of the year several hundred are likely to be working there.

While Peiping's efforts on behalf of Albania are necessarily limited by China's own economic difficulties, the Chinese should be able to provide sufficient goods and services to enable Tirana to withstand Soviet bloc economic sanctions. In a subsistence economy such as Albania's, the short-run effects of failure to fulfill the plan would not be severe.

Albania has had little success so far in finding in Western Europe new sources of goods, credits, and technical aid. China may provide cash for the Albanians to buy some Western machinery and equipment, but the lukewarm response to Albanian economic overtures in the West suggests such deals will be limited to items which the Chinese cannot provide directly. (Prepared by ORR)

25X1

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

JAPANESE - SOUTH KOREAN RELATIONS

A possible mid-November meeting between Japan's Prime Minister Ikeda and South Korea's junta leader Pak Chong-hui raises the prospect of a major breakthrough in the long, fruitless efforts by the two countries to normalize their relations. An impromptu mission to Tokyo in late October by South Korean security chief Kim Chong-pil, Pak's principal lieutenant, apparently has paved the way for Pak to stop in Tokyo for discussions with Ikeda while en route to Washington for a visit.

The main factor of South Korean interest in a quick settlement appears to be the need of Japanese assistance for the military government's economic programs. In addition to disagreement between Tokyo and Seoul about the amount of such assistance, however, there is the important Oriental question of "face" involved in the dispute over whether or not Japan is obligated to compensate Korea for Japanese rule from 1905 until 1945.

Korean claims against Japan cover broad categories, both government and private, including demands for reimbursement for Korean savings accounts, the Bank of Korea gold reserves, national art treasures, ships, and corporate investments--all of which the Japanese are accused of removing from Korea. The claims also include demands for compensation to Koreans subjected to forced labor by the Japanese and to families of Koreans killed and wounded in Japanese military service and labor battalions in World War II. While denying the legality of these claims, Tokyo apparently is willing to

consider grants up to \$350,000-000. Seoul recently proposed \$800,000,000 as a negotiating figure.

It is doubtful, in any case, that Tokyo would extend more than token assistance in the absence of substantive progress on other problems about which Seoul seems less concerned. Tokyo is anxious for the abolition or modification of the South Korean prohibition against Japanese fishing inside the Rhee Line--which encloses an area between 20 and 200 miles off the Korean coast. South Korean patrol vessels have seized at least seven Japanese fishing boats in the vicinity of this line since the military coup d'etat on 16 May.

Korean distrust of the Japanese remains deep, especially among the younger military officers on whom Pak Chong-hui depends for support. In Tokyo, too, there are important obstacles to a settlement stemming from the divided opinion within the ruling party about Korean policy and from the possibility that the Socialists may exploit underlying Japanese disdain toward the Koreans to provoke opposition against any settlement.

It is doubtful that either government fully appreciates the other's political handicaps in this respect; the South Korean vice foreign minister told the counselor of the American Embassy in Seoul in late September that if current efforts for a settlement failed, South Korea would not make another attempt "for some years to come." [redacted]

25X1

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

TURKEY

Turkey's military leaders are disappointed and bewildered by the poor showing of the Republican People's party (RPP) in the recent elections and appear extremely reluctant to return the country to civilian government as they had pledged to do by 29 October. The three parties which had opposed the military and appealed to the sympathizers of former Premier Menderes won 277 seats in the lower house, against the RPP's 173. While no party had a majority, the officers are concerned lest the opposition parties join in a coalition which would be antagonistic to the military and to the secularization and Westernization of Turkey.

To preclude this possibility, some 20 high-ranking officers, including the chief of the Turkish General Staff and field army commanders, on 24 October compelled the leaders of all four political parties to sign an agreement embodying three conditions for the restoration of civilian authority. The political leaders agreed not to give amnesty to any of the more than 450 members of the Menderes regime now in prison; not to interfere in the structure and operation of the armed forces, and not to attempt to reinstate the 4,000 officers forcibly retired since August 1960; and to support the former chief of the Committee of National Union, General Cemal Gursel, as President of the Republic. The Grand National

Assembly elected General Gursel President on 26 October, but there have been delays in selecting presiding officers for both houses and in negotiating a coalition among the parties.

For their part, the civilian politicians seem reluctant to accept the responsibility of heading a government in which the military would continue to hold power in most important matters. Any new government, moreover, will be hard put to deal with Turkey's economic problems. The public will compare its performance with that of Menderes, whose accomplishments were tangible but often unsound and brought the country to the brink of bankruptcy. Political uncertainty and inept administration during the military era reduced economic activity to a low level. The government will have difficulty getting public support for the taxation and other economic measures necessary for renewed economic development.

If the military are dissatisfied with the eventual coalition arrangements, they may keep in office retired General Fahri Ozdilik, who has been designated by the regime as acting prime minister. This in effect would continue the government of technicians which has held office for the past 17 months. In this event, however, the military would have to impose more and more stringent controls to maintain order.

25X1

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

GREEK ELECTIONS

Constantine Karamanlis and his right-of-center National Radical Union (ERE) won four more years of power in the Greek parliamentary elections on 29 October. Karamanlis, who became prime minister in October 1955, has held the office continuously for a longer period than any other man in modern Greek history.

This was a personal victory for Karamanlis, who has consistently surrounded himself with generally competent but often colorless cabinet ministers. The victory also confirmed the political sagacity of the premier's decision to hold elections this fall rather than wait until his term expired next spring. The ERE's success in winning a majority in parliament, combined with the stunning defeat suffered by the Communist-front United Democratic Left (EDA), justified Karamanlis' willingness to gamble on a new electoral law less favorable to his party than the previous one had been. The new law prevented a "popular front" of all opposition parties and led to a revival of the non-Communist opposition.

ERE won nearly 50 percent of the popular vote and will have 169 of the 300 seats in parliament. In 1958, ERE got about 41 percent of the vote but captured 171 seats because of the more favorable provisions of the electoral law in effect then. The fact that nearly 10 percent of the voters switched to ERE reflects increased confidence in Karamanlis, who has established a record of fiscal stability and widespread economic development.

The Center Union, a coalition of eight non-Communist opposition parties which was formed in September, won about

35 percent of the vote and will have 107 seats in the parliament. Veteran Liberal politician George Papandreou is the nominal leader of the Center Union. Whether his coalition, whose members range from the far right to the moderate left, will hold together is questionable. Spyros Markezinis, leader of the Progressive party, previously indicated that his collaboration with the Center Union was only for the period of the campaign. Nevertheless, a non-Communist grouping has replaced EDA as the major opposition in parliament; this means a pro-Western alternative to ERE should Karamanlis fall.

EDA, running as a single party in 1958, won more than 24 percent of the vote and 79 seats in parliament. This year it ran in coalition with an agrarian party it had created last summer. The coalition attracted only 15 percent of the vote, and parliamentary representation of the far left will be reduced to 24 seats. Soviet menace on the international scene and reaction to recent Soviet and Bulgarian threats against Greece were probably major factors in the EDA setback.

EDA spokesmen and bloc radio stations have complained bitterly of "police barbarism" and other forms of repression against EDA, but American observers state that few complaints of intimidation have been confirmed. Even before the election, dissatisfaction had developed among the rank and file in EDA over management of the campaign. The exiled Communist party of Greece will probably reappraise EDA leadership, and this may well be followed by the removal or demotion of several long-time EDA functionaries.

~~SECRET~~

25X1

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

EUROPEAN INTEGRATION DEVELOPMENTS

In a bid for early agreement on closer European political ties, the French have prepared a draft treaty to coordinate foreign and defense policies of the Common Market (EEC) countries and extend their cooperation in scientific and cultural fields. With the exception of the Dutch, the treaty was favorably received by the EEC representatives at the 19 October meeting at which it was formally presented. Discussions are scheduled to resume on 10 November, and several delegates have urged that the treaty be ready for signature when the heads of government meet later this year or in January.

The French move is in keeping with the "Bonn declaration" issued on 18 July at the latest such meeting of heads of government. The six leaders called at that time for closer political, economic, and social ties, instituted regular summit and ministerial-level meetings, and directed a committee to prepare proposals to give "statutory character to the unification of the European peoples." This committee has since held several meetings, but prior to the French initiative, proposals under consideration were neither very specific nor in treaty form.

The new draft preserves the flavor of the loose confederation first proposed by De Gaulle in mid-1960, but it also reflects the considerable evolution in his thinking since

then. While a negative vote in the council would still have the force of a veto, the absence or abstention of a council member would not prevent the other members from going ahead, and such decisions would be binding for those countries which approved them. They would be executed by a political commission seated in Paris, and the EEC's assembly would have rights of interrogation and recommendation.

In view of these French concessions, it is difficult to say whether January is a realistic date for agreement. All the other EEC countries would prefer a political union more binding than that proposed by De Gaulle and one more closely linked to the existing supranational institutions of the EEC. Moreover, unless the union is a tight one, the Dutch in particular have opposed its consideration of defense matters lest this impinge on NATO's pre-eminence in this field.

There is also the problem of Britain. The smaller EEC countries have been especially anxious to include the UK in any moves toward closer ties, and London now has formally endorsed the Bonn manifesto. Whether prospective UK membership in the EEC will be considered "an argument for speed or for a more deliberate approach to the conclusion of a political treaty" cannot be predicted, in the opinion of Ambassador Butterworth.

25X1

SECRET

Page Denied

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

ITALIAN GOVERNMENT CRISIS THREATENS

Italy's divergent center parties are increasingly inclined to upset the agreement whereby they provide a slim parliamentary majority for Premier Fanfani's minority Christian Democratic government. Only last-minute reversals by party leaders prevented the government's fall last week end at the hands of the small Republican party, which seeks a reformist government dependent on parliamentary votes from the Nenni Socialists.

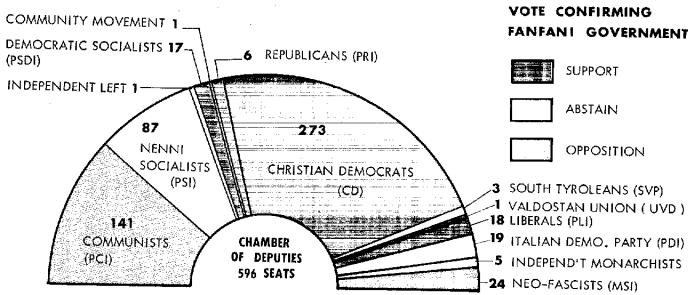
In the summer of 1960 the center parties--Christian Democrats, Social Democrats, Republicans, and Liberals--tem-

Fascist support, which resulted in widespread anti-Fascist rioting.

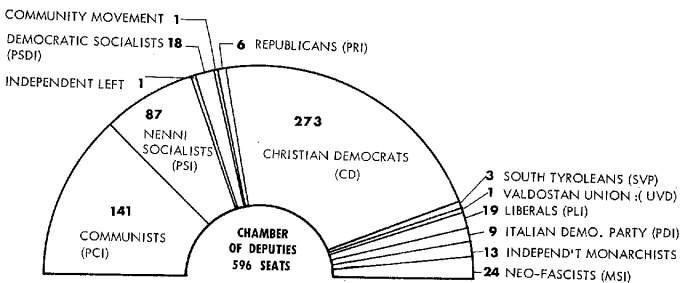
There has since been increasing pressure on the Christian Democrats to enlarge their bare parliamentary support by turning to the Nenni Socialists. After the November 1960 local elections failed to give the center parties a majority in several important cities, the Christian Democrats did join with the Socialists to run these local administrations and, more recently, the Sicilian regional government. These moves elicited threats, still unfulfilled, from the conservative Liberal party to bring down Fanfani.

ITALIAN PARLIAMENT

AUGUST 1960



NOVEMBER 1961



Social Democratic leader Saragat, for his part, said he would withdraw support if Fanfani did not soon attempt a Nenni Socialist - supported government but agreed to wait until after the Christian Democrats' party congress on 27 January. The Republicans threatened last week to bring down Fanfani immediately unless the Christian Democratic party agreed at once to attempt a center-left government immediately after the congress.

Republican party secretary Reale, however, reportedly agreed on 28 October to wait, probably fearing that the government's right-wing supporters would carry out their threat to force early national elections and thus postpone attempts to form a center-left government. Christian Democratic party secretary Moro fears that the Republican party will renege on this commitment at the meeting of its party directorate, now scheduled for 12 November. One factor inhibiting them will be removed on that date, when the President enters the last six months of his term and recourse to national elections for solving a government crisis becomes constitutionally impossible.

porarily composed their serious policy differences in order to join in support of a government headed by Fanfani and made up entirely of Christian Democrats. They took this action after two months without a government, and a subsequent brief period of a Christian Democratic cabinet with neo-

25X1

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

DOMINICAN REPUBLIC

Negotiations may shortly be resumed between the Balaguer government and the three major opposition groups on the formation of a coalition regime in the Dominican Republic. The three groups are holding unity talks with a view to avoiding the lack of coordination that was chiefly responsible for the breakdown in coalition negotiations in early October.

The chief obstacle to participation by the opposition in the government continues to be the post of General Ramfis Turjillo, son of the late dictator, as chief of the Dominican armed forces. The largest of the opposition groups, the National Civic Union (UCN), which is supported by the majority of Dominican business and professional people, has been insisting that Ramfis' post be abolished and that he leave the country prior to the establishment of a coalition regime. The 14th of June party (PCJ), which contains some of the opposition's most vengeful and uncompromising anti-Trujillo elements, is even more adamant.

The third opposition group, the Dominican Revolutionary party (PRD), is somewhat more conciliatory on the issue. PRD leaders, who accept guidance from such reformist Latin American leaders as Venezuelan President Betancourt and ex-President Figueres of Costa Rica, have stated that they would be willing to have Ramfis remain for a limited period "at the pleasure of the coalition government." Recognition by opposition leaders that Ramfis has a positive role to play in maintaining control of the restive armed forces during the transition to coalition government may eventually lead the opposition to accept his continuance for a limited period.

Opposition groups may be encouraged by the recent publication of Ramfis' September letter to the OAS subcommittee in which he vowed to resign immediately upon the lifting of OAS sanctions. Opposition among the military to Ramfis' departure is strong, and some officers already suspect that he is motivated primarily by the desire to save himself, his family, friends, and wealth--leaving other officers to "face the wrath of the people."

Ramfis felt compelled to state publicly on 30 October that, while he will resign his post when the situation becomes "normal," he will always consider the Dominican Republic his home and will never leave under pressure. On 1 November, a letter was published to Ramfis from 33 of his colleagues in the air force describing his continued presence in the armed forces as "imperative." "The history of the republic," he stated, "contains many blank pages which await your writing them."

Meanwhile the government's official political machine, the Dominican party, is attempting to counter the steady decline in its public support by making new appeals to urban and rural lower classes, who have long provided it with a semblance of "mass support." A "congress" of farm laborers opened under Dominican party auspices on 28 October with the announcement that the government intends to implement a program of agrarian reforms. While the Dominican party is thoroughly discredited among the literate public, it still commands all the resources of the government and has used some of these to prevent opposition party organizers from contacting the illiterate rural workers. 25X1

~~SECRET~~

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

GROWING UNREST IN PERU

The middle-of-the-road Prado administration suspended constitutional guarantees following rioting in Lima on 23 October. The riot was apparently touched off by the attempts of leftist and Communist leaders to exploit a nationwide strike of schoolteachers, which is still not settled. As a precautionary measure, a number of key Communists and sympathizers have been arrested.

The violence, which led to the death of one student, is symptomatic of Peru's labor difficulties. Workers in transportation and in mining and fabricating industries have been the most vociferous in their complaints against the inflation, which has continued despite the otherwise successful efforts of Premier Pedro Beltran since July 1959 to stabilize the Peruvian economy and build business confidence. The government has been reluctant to authorize increases in wages and salaries and has failed to push through Congress the economic and social reforms it has promised.

Two days after the riots, both leftist and rightist opposition groups in the Senate tried to pass a motion of censure against Beltran. They will probably continue to press charges of inefficiency in the security forces and of undue police brutality in an effort to discredit President Prado's administration with a eye to next June's presidential elections. Beltran hopes to be the candidate of Prado's Peruvian Democratic Movement (MDP) and was reportedly about to resign from the cabinet to launch his campaign. Though an effective premier and minister of finance, Beltran is not a popular candidate and will require the backing of both

the MDP and APRA, the nation's largest mass-based political faction. Neither the MDP, which is essentially conservative, nor APRA, which is leftist but not Communist, would support Beltran, however, if he appeared to have resigned under fire.

APRA, which had been outlawed for eight years when Prado legalized it in 1956, may try to run its own candidate. Victor Raul Haya de la Torre, founder of APRA, who has lived in Rome since 1954, reportedly intends to return to Lima in December to try for his party's candidacy. Haya and APRA have consistently supported President Prado, but Haya has expressed a strong personal dislike for Beltran.

Other presidential candidates are already in the field. Fernando Belaunde Terry, demagogic leader of the leftist Popular Action party and second-running presidential candidate in 1956, has succeeded in obtaining the backing of APRA Rebelde, a left-wing splinter of APRA, and has so far avoided alienating the Communists, who are outlawed but have influence in other parties. Ex-President Odria, who ruled dictatorially from 1948 to 1956, is also courting both leftist and rightist support for his candidacy.

The opposition parties, in their efforts to undercut the MDP and APRA, will also try to embarrass the government on such additional issues as the failure of the Peruvian proposal in the OAS to investigate the Cuban problem, but Peru's widespread labor unrest gives them their best opportunity. The Peruvian Government evidently expects further violence.

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

SPECIAL ARTICLES

POLITICAL TRENDS IN FRANCE

Since the end of World War II, France has had an upsurge of economic vigor, and its previously static population has risen by nearly six million. At the same time there has been a decline in the effectiveness of parliamentary government and in public interest in party politics. Reflecting this trend, the center of power has shifted to the executive, and the Fifth Republic has neglected the development of adequate channels of communication from the citizen to his government. The scope of the communication problem has thus far been obscured by De Gaulle's personal popularity, which is the main force holding the present regime together; his disappearance from the scene will probably be followed by a chaotic struggle for power.

As recently as 1940, the French population was predominantly middle-aged in composition, predominantly rural in distribution, and employed mostly in family enterprises or small-scale businesses. Since then, the population has increased from 40 to 46 million, one third of which is under 20 years of age. More than half the population now is urban; only 22 percent earn their living from the land, and 66 percent derive their income entirely from wages and salaries. More than half the workers in private industry are employed by companies having more than 100 people on the payroll, and some nationalized industries have thousands of employees.

The gross national product has been increasing at the rate of 5 percent per year since 1953 and even faster in 1960 and 1961. In industry alone, the annual rate of growth has been close to 10 percent. The

enhanced efficiency of French industry is further reflected in the way France, a traditionally protectionist country, has taken a lead in the tariff reduction policy of the European Common Market.

The French citizen now feels the impact of his government much more directly than prior to World War II because of the nationalization of public services and many industries. A broad social security program had been firmly established by the mid-1930s, and today the government is an important employer, marketer, landlord, and supplier, as well as educator, regulator, insurer, and protector.

Since De Gaulle returned to power in 1958, the government has devoted increasing attention to making the economy more efficient. In December 1958 it decreed measures to streamline outmoded institutions, update procedures, and encourage regional planning, for which technical experts had long sought parliamentary support during the Fourth Republic. Although many of the long-term measures--especially those creating regional, industrial, commercial, and educational centers and requiring large investments--are running behind schedule, most of the decree reforms have been reasonably effective.

The emphasis in the constitution of the Fifth Republic on the executive function encourages government by technicians. Many of the top-ranking civil service posts now are filled by young technical experts determined to modernize France, and there is an unprecedented number of nonpolitical technicians in the Debré cabinet.

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

Political Stagnation

The traditional forms of political activity changed relatively little between the Third Republic and the Fifth. Political parties continued to represent doctrinal positions--often those of a previous generation; electoral arrangements remained heavily weighted in favor of rural areas; and deputies and senators went on trying to organize, influence, and upset governments according to their own set of rules. The decline in public interest in politics was evident from the mid-1950s on. As the Fourth Republic continued, parliament seemed to operate more and more in a vacuum, and when the May 1958 coup occurred, parliament had neither the will nor the public backing to assert itself. In the three years of De Gaulle's rule, there has been considerable controversy over the constitutional role of the legislature, but as yet there is no sign that the traditional parliamentary system has regained public respect.

This diminished role of the traditional "representatives of the nation" leaves a political vacuum between the chief of state and the citizenry. Many professional political leaders are beginning to lament openly the "breakdown of communication" between the state and those it governs, but they are themselves hampered by their failure to keep up with the changing interests of the electorate. All of the older political parties, including the Communists, have been suffering from declining membership and apathy and have failed to recruit many new members from the younger segment of the population.

Despite the frequent attacks on De Gaulle's alleged "misuse" of his presidential powers and his slighting of the legislative branch, no responsible political leader appears prepared to meet him in a full-fledged public combat. American Embassy officials have detected

among the deputies an undertone of admiration, as well as relief that De Gaulle is still in command.

Dangers of the Situation

The present situation encourages extremists hopeful of seizing power. Active plotters against De Gaulle are few--many are representatives of various anti-republican leagues which have existed for decades. Other plotters are anti-Gaullists from the Vichy period and proponents of keeping Algeria French. Although various extremists try to exploit this last issue, the French population as a whole is almost completely behind De Gaulle's policy of withdrawing from Algeria and is ready to support anything he wants, especially if it seems to promise an early end to the war.

The Algerian issue, however, does mean some threat to De Gaulle's position from among the professional soldiers, who are out of touch with developments in metropolitan France. These officers have become embittered by what they view as political "giveaways" of the territories they had been fighting to save in successive colonial wars since World War II, and they have developed a theory of the army's mission widely divergent from the policies proposed by Paris. Army loyalty to the government in a showdown is not certain, and the recent wave of voluntary retirements indicates the low morale of field-grade and general officers.

Special Interest Groups

The failure of normal political channels to maintain communications between the citizen and the government has also encouraged various interest groups to seek relief for their grievances through direct action, including the threat of violence. The conflict over Algerian policy has dealt a blow to political stability in this respect, establishing a

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

climate in which violence is becoming a common method for expressing group opinion.

Such groups as farmers, shopkeepers, professional men, students, and renters have stepped up the activities of their respective organizations. The farmers' demonstrations last summer, for example, tied up whole regions in western and southern France and threatened at times to break into serious violence. The government has offered some measures to relieve farm distress--more than it was willing to concede before the demonstrations--but the agricultural problem is structural in nature, and officials admit that there is no easy way to get excess manpower off uneconomic farms and into other activities.

The evolution of the labor movement away from its earlier revolutionary outlook may also be interrupted. Since the immediate post-war years, massive strike activity had been giving way to formalized bargaining procedures and permanent union representation on various regulatory boards. In the major crises of the Fifth Republic to date, organized labor has given the promptest and most active support to the regime.

Nevertheless, the labor unions have recently been less reluctant to resort to direct action to call attention to lagging wage rates in the public sector. Short strikes and other limited demonstrations by employees of the state and some nationalized industries have been well supported and have had some effect in enlarging government concessions. Both Communist and non-Communist

nist unions have engaged in these campaigns for specific economic concessions, and should this kind of cooperation be prolonged, the political distinctions among the agitators may become blurred.

Prospects

The constitutional outlook for France seems increasingly unclear. France has had such a variety of regimes and its people hold such a diversity of political views that there is no overwhelming public attachment to any particular form of government. De Gaulle's personal popularity is the only firm prop of the Fifth Republic, and he has failed to prepare the way, either politically or psychologically, for a successor. De Gaulle did hold one session with political leaders in late September, but this meeting gave them little satisfaction, and in general he has continued to see the problem of political communication between chief of state and citizen as a one-way affair.

Should De Gaulle disappear from the scene now, it is doubtful there would be any element strong enough to achieve an uncontested succession under the present constitution. Although several moderate elements have begun efforts to arrange a "democratic alternative" to De Gaulle's rule, the prevailing mood continues to favor leaving things in his hands. The prospects of a struggle for power among rightists, military forces, Communists, and other groups is a nightmare which the majority of Frenchmen, absorbed with their private adjustments to their modernized society, prefer to ignore.

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****COMPARISON OF THE ECONOMIES OF NORTH AND SOUTH VIETNAM**

Natural advantages and selective investment have enabled South Vietnam to achieve higher living standards and a greater increase in agricultural production than North Vietnam, where food production has been lagging behind population growth. North Vietnam, however, has set a faster pace in industry by allocating a large proportion of bloc aid and its own domestic resources to investment in new productive capacity. The Viet Cong guerrilla activity, moreover, will continue to detract from the otherwise favorable outlook for the South Vietnamese economy.

Economic Effects of Partition

The partition of Indochina in 1954 gave South Vietnam the rich rice bowl of the Mekong River Delta--an area which exported more than a million tons of rice a year prior to World War II--and left North Vietnam a food-deficit area, limited by rugged terrain, dense vegetation, and poor soil. Furthermore, with an estimated 2,600,000 acres of virgin land awaiting settlement, South Vietnam has far greater potential in agricultural resources. The South, on the other hand, is almost completely lacking in mineral wealth, while North Vietnam is one of the richest areas in Southeast Asia in mineral reserves, with substantial deposits of tin, coal, zinc, tungsten, manganese, bauxite, and salt.

Industrial assets--including all heavy industry except electric power--went mainly to North Vietnam. More than 70 percent of the production of modern industry in prewar Vietnam had originated in the northern half of the country. However, this relatively more favorable inheritance in industrial

assets was balanced somewhat by the comparatively greater damage to northern industry during the Indochina war.

The labor force in both countries remains predominantly agricultural, and both lack competent technical, administrative, and managerial personnel. Despite a loss of 900,000 refugees to the South, North Vietnam still has the larger population--16 million against the South's 14 million.

State Economic Control

The government of South Vietnam has assumed increasing responsibility for the allocation of national resources. Saigon's control over the national budget and its regulation of foreign trade--together with the need for heavy military expenditures--have greatly influenced the levels of consumption and investment. However, in contrast to North Vietnam, where the state owns the means of production, centralized allocation of resources in South Vietnam has not implied participation by the state in economic production.

In its five-year development plan (1957-61), South Vietnam emphasized the expansion and diversification of agricultural production, devoting a major part of the program to land reform. This agrarian reform has been generally successful, in contrast to forced socialization of agriculture in the North, where peasant resistance has delayed the program and adversely affected production.

North Vietnam has copied its basic economic administration and planning techniques from Communist China without

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

such radical programs as the communes and the "great leap forward." This approach reflects Hanoi's realistic appraisal of the country's relatively modest economic resources and the limits to which the peasants can be driven.

Although the traditional Communist goal of industrialization will receive greater stress in North Vietnam's new Five-Year Plan (1961-65), there is no indication that the pace will be as frantic as China's has been.

Economic Growth

Despite obvious differences in economic policies, the economies of North and South Vietnam have been expanding at about the same pace since 1956. The comparatively faster recovery of industry in the North following the Indochina war resulted in relatively higher rates of growth in 1956-59, but a serious decline in agricultural production in 1960 resulted in an absolute decline in gross national product (GNP) for that year, compared with a 5-percent gain for the same year in South Vietnam. In terms of total production, South Vietnam's GNP was approximately \$1.5 billion in 1960, compared with \$1.1 billion for North Vietnam; per capita figures were even further apart--\$110 for the South and \$70 for the North.

Although industrial production has doubled for both countries since 1956, it is still only slightly above prewar levels and in both countries remains small in absolute terms. In North Vietnam, industry accounts for only about 16 percent, and in South Vietnam 8 percent of gross domestic production. In total value, industrial production in North Vietnam in 1960 was roughly one and a half times that in South Vietnam.

Food Production

Agriculture, which is basic to the economies of both countries, occupies 85 percent of the population in the North and over 90 percent in the South. Traditionally a food-deficit area that relied on the South to balance its food needs, North Vietnam has gained a minimal self-sufficiency through tight controls over the distribution and consumption of grains.

South Vietnam has increased food production about 7 percent each year since 1956. Whereas per capita production of food in North Vietnam in 1960 was about 10 percent below that in 1956, in South Vietnam it was more than 20 percent above. Rice is the principal crop and main diet staple for both countries; roughly 90 percent of sown acreage in both areas is planted to rice, and yields have averaged about the same in both. The production growth in the South has resulted largely from increasing acreage.

Per capita production of rice in North Vietnam has, however, been consistently below that of South Vietnam. Whereas in 1956-57 it was about 90 percent of per capita production in the South, in 1958-59 it was about 85 percent and in 1960 only about 68 percent.

Trade

A net importer of rice before World War II, North Vietnam now is a net exporter, but only because of enforced low levels of consumption within the country. Committed to export 550,000 tons of rice in 1960, Hanoi was apparently having difficulty in meeting its obligations late in the year and in early 1961; in several instances, planned deliveries were canceled altogether. Saigon's rice exports reached 340,000 tons

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

in 1960--only about one third of the pre-war level--and even before the recent floods, planned 1961 exports had been cut by two thirds because of Viet Cong interference with shipments to Saigon.

Between 1955 and 1960, total North Vietnamese imports exceeded exports by an estimated \$392,000,000; in the same period, South Vietnamese imports have exceeded exports by approximately \$1.058 billion. Foreign economic assistance extended to the two countries made up the difference.

In North Vietnam the regime has been able to raise exports as a percent of imports from about 10 percent in 1955 to more than 60 percent in 1960. In South Vietnam, exports still account for only about one third the total value of imports. External economic aid as a proportion of GNP in North Vietnam, therefore, has been declining--from about 15 percent in 1956 to about 4 percent in 1960--whereas the proportion of grants and credits to GNP in the South has not dropped below 10 percent during 1955-60. Consequently, North Vietnam has become less dependent on large annual extensions of foreign aid than has Saigon.

Economic Aid

Total economic assistance to North Vietnam since 1955 has amounted to \$944,000,000, with Communist China and the USSR providing almost 90 percent of it. The Chinese have given somewhat more aid than the Soviets, and there has been a natural division whereby Peiping furnished larger quantities of basic materials and manpower and Moscow sent relatively more machinery and equipment. Almost

half of this aid was earmarked for development projects scheduled under the First Five-Year Plan. Of the other half, roughly three fourths had been used by 1960 for the purchase of bloc goods and services.

Economic assistance extended to South Vietnam under various US programs since 1955 has amounted to approximately \$1.44 billion, or about 8 percent of total US economic aid to all countries. Of this total, over 90 percent has been extended as grants-in-aid, whereas only about 40 percent of total bloc aid to North Vietnam consisted of grants. As of the end of 1960, roughly 70 percent of total economic aid to South Vietnam during 1955-60 had been used in financing the country's large net imports.

During this period, counterpart funds have provided at least two fifths of South Vietnam's entire budget revenue, but only 20 percent of these budget receipts from US aid have been allocated to economic projects; most of this revenue has gone to meet the annual defense expenditures of South Vietnam.

Viet Cong Activity

The South Vietnamese Government's major problem at present is the Communist guerrilla activity. The Viet Cong units are demonstrating an ability not only to disrupt communications and strike near major population centers, but to hold some localities in sufficient strength to collect taxes, exercise police power, and deny the products of the area to the Saigon regime. Intensification of guerrilla activity will make it increasingly difficult for Saigon to maintain the country's rate of economic progress.
(Prepared by ORR)

25X1

SECRET

Page Denied

Next 4 Page(s) In Document Denied

SECRET

SECRET

25X1

Page Denied

Next 4 Page(s) In Document Denied