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# CURRENT INTELLIGENCE WEEKLY SUMMARY

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**CENTRAL INTELLIGENCE AGENCY**  
**OFFICE OF CURRENT INTELLIGENCE**

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CURRENT INTELLIGENCE WEEKLY SUMMARY

30 March 1962

THE WEEK IN BRIEF

(Information as of 1200 EST 29 Mar)

SOVIET FOREIGN POLICY DEVELOPMENTS . . . . . Page 1

The Rusk-Gromyko talks ended on 27 March with a joint statement that contacts would be resumed after the two ministers had reported to their respective governments and consulted with their allies. Bloc spokesmen at Geneva have expressed optimism about an eventual Berlin settlement. They have hinted, however, that Gromyko's objective was to prepare the ground for further negotiations and that Khrushchev is holding back now because he wants a summit meeting where he could gain personal credit for any agreement with the West. Remarks by Communist representatives suggest Moscow believes that a more forthcoming Soviet attitude on partial disarmament measures would enhance prospects for an early summit meeting, despite the absence of significant progress on Berlin at the foreign ministers' level. [redacted]

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ARGENTINA . . . . . Page 6

The armed forces commanders on 28 March ordered President Frondizi's arrest after he persistently refused to resign under intense pressure from the military and most opposition political parties. The commanders, who thought at first that Frondizi would resign to prevent a break in constitutional order, have no well-developed plan for a new government. They have asked Senate President Jose Guido, the legal successor, to accept the presidency, but he is standing by his earlier refusal to consider the post in case of Frondizi's ouster. The armed forces are maintaining firm security measures, but the Communists have plans to promote violence by embroiling the Peronistas with the military. [redacted]

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SYRIA . . . . . Page 7

The Syrian army command, which has attempted since the break with the UAR last September to control government decisions, has forced out the Qudsi-Dawalibi government and assumed direct power. Its initial communiqués suggest that it contemplates resumption of certain socialist measures and some improvement of relations with Egypt. Pressure from radical elements in the officer corps, probably a major cause of the army command's action, is likely to lead sooner or later to a further governmental shift to the left. [redacted]

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ISRAELI-SYRIAN TENSION . . . . . Page 7

Syria and Israel continue to keep forces deployed in the Lake Tiberias area. Israel has undertaken a limited, selective call-up of reserves and has moved an infantry battalion, an artillery battalion, and a tank-destroyer company into the area north of the lake near the Syrian border. Although neither side seems likely at this time to launch a major attack, further clashes are likely. [redacted]

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

The army's willingness to enforce government policy in the face of European settler resistance, as evidenced by action against the Bab-el-Oued quarter of Algiers and the capture of OAS leader Jouhaud, appears to have damaged OAS prestige. De Gaulle's orders to liquidate the OAS, the installation in Algiers of the new French high commissioner, and the announcement of the composition of the provisional executive may seriously reduce settler support of the OAS unless it acts to show that it can prevent implementation of the Evian accords. De Gaulle is certain to receive an overwhelming affirmative vote in the 8 April referendum throughout France to approve the accords and to give him extraordinary powers to implement them, but his request for such powers will be increasingly attacked even by many who favor his Algerian policy because they will consider them a virtual "blank check" for the future.

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**CONGO . . . . . Page 10**

The Adoula-Tshombé talks, suspended for three days, have resumed, with Tshombé still asserting that, while he has a free hand to negotiate, any agreement must be ratified by the Katangan Assembly. Adoula's exasperation with the Katangan leader appears to be growing, and he may break off the talks if progress is not made soon. Tshombé shows no inclination to end the negotiations and continues to press for constitutional changes to assure a high degree of Katangan autonomy.

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**LAOS . . . . . Page 12**

During his talks with Assistant Secretary Harriman on 24-25 March, Phoumi continued adamant in his opposition to a government headed by Souvanna. His position is supported by King Savang and Premier Boun Oum. Souvanna plans to go to France shortly for an indefinite stay, but has indicated willingness to return if there are signs of progress. The Laotian Government has reinforced its Nam Tha garrison, while antigovernment forces have engaged in sporadic shell- ing of the town.

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**WEST NEW GUINEA DISPUTE . . . . . Page 13**

The Dutch decision on 27 March--taken after renewed Indonesian infiltration--to send troop and ship reinforcements to West New Guinea apparently precludes any early resumption of preliminary talks with Indonesia. President Sukarno in retaliation to the Dutch move will probably order accelerated military preparations and new infiltrations; further incidents between patrolling air and naval units are also likely.

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**POLAND TIGHTENS LEGAL SYSTEM . . . . . Page 15**

As a result of its failure to curb large-scale embezzlements and thefts of state property, the Polish regime has begun to overhaul the legal system to provide more aggressive prosecutions, more thorough investigations, and more severe penalties for major offenses. Opposition by

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lawyers to these moves--which threaten the personal liberties gained in 1956--has caused the regime to resort to intimidation and attempts to increase its supervision over the legal profession. [redacted] 25X1

**MILITARY BUDGETS IN THE EUROPEAN SATELLITES . . . . . Page 15**

Most of the European satellites spent more for military purposes in 1961 than originally planned, and some of them plan further increases in 1962. Military expenditures announced in most of the satellites during the period 1955-60 declined or remained stable, and the increases for 1961 and 1962 probably reflect bloc reaction to the Berlin crisis. However, these increases will not require a major shift in resources to the defense sector. [redacted] 25X1

**FOOD SITUATION IN COMMUNIST CHINA . . . . . Page 17**

The serious food shortages in Communist China last spring and the subsequent poor harvest indicate another crisis this spring--when food supplies reach their annual low. Although the food situation does not seem noticeably worse than last year at this time, the cumulative effects of three bad years have resulted in widespread malnutrition. Prospects for the coming crops are somewhat more favorable than last year because of good weather and more realistic agricultural policies, but these factors may be offset to some extent by the effect of low peasant morale on farm work. [redacted] 25X1

**CUBAN POLITICAL CHANGES . . . . . Page 18**

Recently announced cabinet and other personnel shifts confirm earlier indications of the Castro regime's plans to develop a political structure similar to that of Communist states. Fidel Castro, in his denunciation of high-ranking veteran Communist leader Anibal Escalante on 26 March, revealed the existence of a split within Cuba's top leadership; Castro's own position does not appear to be in jeopardy. [redacted] 25X1

**BRAZILIAN INTEREST IN SHALE OIL DEVELOPMENT . . . . . Page 19**

A number of political and military leaders in Brazil, concerned over the country's dependence on foreign oil sources, are interested in developing extensive resources of oil shale. Petrobras, the state oil monopoly, is reported to be sending a mission to the bloc, where there has been considerable experience in processing shale. Brazilian Communists, who have succeeded over the past ten years in developing widespread Brazilian distrust of private American oil companies, are campaigning to block US cooperation with Petrobras. The USSR may take advantage of the scheduled visit to Brazil in May of Soviet Deputy Premier Mikoyan to offer aid for shale development. [redacted] 25X1

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**EUROPEAN CONFEDERATION TALKS . . . . . Page 20**

Recent French concessions have blurred the long-standing differences among the six Common Market countries over the treaty to establish a European political union, but agreement is not yet in sight. Even with further concessions by France, the Netherlands and Belgium are unlikely to agree to a treaty until they are certain of Britain's accession. They also want to be satisfied that such political union would not abet De Gaulle's hopes of forming a political-military-economic bloc dominated by France.

[Redacted]

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**JAMAICA'S PRE-INDEPENDENCE ELECTIONS . . . . . Page 21**

Jamaica will hold elections on 10 April preparatory to becoming independent on 6 August. The elections will be a close contest between two moderate parties which have dominated Jamaican politics for two decades. The island's viable economy and long period of relatively stable administration have laid a firm basis for independence, but unresolved economic problems--including high unemployment--could lead to instability after the enthusiasm of achieving independence has worn off. Cuban activities have recently increased, particularly among the more extreme racist elements.

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**SPECIAL ARTICLES**

**PROBLEMS FACING THE NEW ITALIAN GOVERNMENT . . . . . Page 1**

Italy's Christian Democrats are trying a new experiment: rapprochement with the Socialists in order to modernize the country's institutions through administrative and fiscal reforms and spread the benefits of the "economic miracle" more widely by means of coordinated economic planning. However, both Communists and rightists will be able to exploit serious sources of friction within Premier Fanfani's new coalition. Attempts are already being made by opponents of the new government to discredit it by painting it as anti-NATO. With national elections scheduled for 1963, the need to show results before facing the electorate will be the major incentive to early efforts to push through reforms.

[Redacted]

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**THE CONGOLESE ARMY . . . . . Page 5**

Nearly two years after its post-independence mutiny, the Congo National Army remains largely undisciplined and a threat to the country's security. Moreover, its demonstrated inability to mount effective operations against Tshombé's southern Katanga stronghold has tended to weaken Premier Adoula's position in his negotiations with Tshombé. Within the Leopoldville government there are conflicting views concerning the reorganization of the army and a nagging fear that any effort at drastic reform might trigger new unrest. While Adoula favors at least a 50-percent reduction--to between 12,000 and 15,000 men--army commander Mobutu desires a 24,000-man force comparable to the pre-independence Force Publique.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

WEEKLY REVIEW

## SOVIET FOREIGN POLICY DEVELOPMENTS

The Geneva talks between Secretary Rusk and Foreign Minister Gromyko ended on 27 March with a joint communiqué which stated that contacts would be resumed after the two ministers had reported to their respective governments and consulted with their allies. Both Pravda and Izvestia on 28 March highlighted the communiqué without comment in an apparent effort to create the impression that some progress, even though slight, had been made on the Berlin and German problems.

Bloc spokesmen at Geneva have expressed optimism about an eventual Berlin settlement. They have hinted, however, that Gromyko's objective at this stage was confined to preparing the groundwork for further negotiations and that Khrushchev is holding back now because he wants a summit meeting where he could gain personal credit for any agreement with the West. Remarks by Communist representatives regarding the possibility of progress on partial disarmament measures suggest Moscow believes that a more forthcoming Soviet attitude on these measures would enhance prospects for an early summit meeting, despite the absence of any significant progress toward a Berlin settlement at the foreign ministers' level.

Berlin and Germany

Khrushchev's relatively moderate statements on Berlin

and Germany in his speech on 16 March have been followed by the Ulbricht speech published on 23 March in which the East German leader publicly broached the concept of a four-power "arbitration agency" which would be charged with ensuring access to and from West Berlin. This proposal presupposes East German rather than international control over Western access, but Ulbricht sought to make the scheme more attractive by stating that his regime "deems it possible" to accept recommendations on access arrangements from the four guarantor powers or from an "appropriate UN institution."

He emphasized, however, that any Berlin settlement must include not only access guarantees but also "normalization" of the West Berlin situation in a manner which would respect and safeguard East German sovereignty and terminate existing Western occupation rights.

The bloc leaders probably conceived this proposal, which would provide only a facade of international authority over access, as a means of demonstrating their "flexibility" and desire for a settlement as well as for testing prospects of gaining Western concessions on this issue. The USSR and East Germany had strongly opposed President Kennedy's concept of an international control authority for the Berlin autobahn when this was put forward last fall and stressed that any assurances of free access would have to be on the basis of an

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agreement with East Germany. The timing of the latest bloc approach as set forth by Ulbricht reflects the USSR's desire to convey an impression of readiness to bargain on the question of access and other issues involved in a Berlin settlement.

Following a week of relatively light Soviet traffic in the lower altitudes of the air corridors, the Soviets on 26 and 27 March increased the number of flights and conducted some at the higher altitudes normally used by Western civil aircraft. Additionally, flights on 28 March were conducted during the hours of darkness, for the first time since 16 March. They continue to demand that the West give advance notification of its flight plans, and now are attempting to use the same technique to harass Western ground access to Berlin. On 22 March a westbound British convoy of three vehicles was held up at the Babelsberg checkpoint--at the eastern end of the autobahn--because the Soviets had not received written advance notice of its arrival. A US convoy was delayed for two hours on the same grounds on 23 March. Local US military personnel continue to inform the Soviets of the movement of convoys of eight or more vehicles. The Soviets probably intend to increase pressure gradually along these lines in the hope of securing advance notification from the Allies of all convoys transiting East Germany. The Soviets would interpret any broad concession from the Allied powers

on the issue of advance notification as an implied recognition of Communist control of the autobahn.

In a note delivered on 26 March by the Soviet Foreign Ministry to the NATO countries' ambassadors in Moscow, the East Germans proposed that these countries establish consular relations with East Germany in order to facilitate movement in and out of East Germany and Berlin. The USSR endorsed the proposal in an attached covering letter. The timing of this move further suggests that the new East German customs law will introduce new travel controls affecting West Germans as well as West Berliners. Construction of new concrete baffles has been in progress at four of the seven Berlin sector border crossing points--presumably to be used to process any new customs requirements levied on West Germans and West Berliners.

In his recent speech, Ulbricht maintained that it was "not normal for NATO military personnel to travel about" in East Germany's "capital" and countryside as if it were "American territory." His remarks, together with the USSR's refusal to act upon Western complaints regarding harassment of Allied military liaison mission personnel by East German police, suggest that the USSR is prepared to use such incidents to induce the Allies to curtail the activities of the missions or even terminate them.

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Following a "careful investigation," Marshal Konev has rejected General Clarke's protest over the disabling by gunfire of a US Liaison Mission car engaged in a routine tour near Gotha--just as he earlier turned down a British protest over the wounding of a British Liaison Mission driver near Potsdam on 10 March. In a letter delivered to Clarke on 27 March, the commander in chief of the Soviet forces in Germany insisted that the "hasty and improper" behavior of the US personnel when stopped by East German police had forced the police to use "measures of restraint." Konev also denied that his staff officers had been uncooperative in advising US Liaison Mission headquarters in Potsdam of the whereabouts of the US personnel during the 26 hours they were detained by the East Germans. Since the incident of 20 March, the personnel in two other US Liaison Mission tours have been detained in East Germany, allegedly for entering "restricted" areas.

Disarmament and Test Ban

Gromyko, Zorin, and Tsarapkin have consistently maintained at the Geneva disarmament conference that the USSR will accept only "national" controls over a test ban and have denounced the US-British proposals for international controls and inspection as a guise for sending Pentagon "spies" into the Soviet Union. Soviet press

and radio comment has widely publicized this charge and also has stressed that the US stand on controls is aimed at causing a deadlock which will leave the US free to carry out its decision to conduct atmospheric tests.

In private conversations with Western officials and correspondents, bloc spokesmen continue to indicate that progress might be made on such "partial" disarmament measures as nontransfer of nuclear weapons to the states not now possessing them, a Central European nuclear-free zone, and a NATO - Warsaw Pact non-aggression treaty--proposals more related to the German and European security problems than to disarmament. They have occasionally cited a possible agreement on measures to guard against surprise attack and on outer space.

Speaking with US delegation officers on 25 March, Polish delegate Lachs stated flatly that the Soviets will not accept international controls and inspection in a test ban treaty. The USSR's insistence on national controls over a test ban treaty, knowing that the US cannot accept such controls, and Soviet silence on "compromise" proposals such as the Indians have offered suggest that the USSR expects that the US will resume atmospheric testing at the end of April.

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Zorin publicly denied on 23 March that the USSR is planning another nuclear test series and stated that his government is not interested in carrying out further nuclear tests, but Gromyko four days later reiterated earlier Soviet warnings that a US resumption will "compel" the USSR to resume its tests. It seems unlikely, moreover, that Khrushchev would wish to participate in a heads-of-government meeting later this year without first staging a Soviet test series to counter any impression that US testing had shifted the nuclear balance in favor of the West.

The USSR will probably wait until after the US atmospheric test series begins before initiating a Soviet series. This is suggested by the line Soviet Geneva delegates took in conversations with Krishna Menon, urging that India should take the lead in mobilizing opinion in nonaligned countries against the resumption of US atmospheric testing. They also said that the nonaligned powers should realize that if the USSR were forced to resume tests because of the US atmospheric tests, "the responsibility would lie with the West." Following the first few US atmospheric tests, Moscow will probably conduct a massive propaganda campaign asserting that the tests justify a Soviet resumption.

As a propaganda gesture on the eve of a scheduled resumption of US atmospheric tests, the Soviets might offer to conclude an atmospheric test ban using national detec-

tion means. While Soviet officials have been silent on the possibility of a test ban limited to testing in the atmosphere, Polish delegate Lachs expressed the belief that the USSR--as an immediate measure--eventually would propose such a ban using national detection systems. The Soviets would expect the US to reject such a proposal, but they would probably calculate that it would impress the neutralist countries and embarrass the US. In order to present the USSR as the major proponent of a cessation of testing, Soviet leaders might urge a moratorium on atmospheric testing while the proposal was being considered at a summit-level meeting of the disarmament conference or of the four nuclear powers. In his 1 March letter to President de Gaulle, Khrushchev had pointed out that the four powers have a "special role and responsibility" in the disarmament negotiations and expressed willingness to take part in a Big Four "exchange of views," which, he said, could "facilitate agreement" on the most important disarmament problems.

Bloc officials have mounted a concerted attack on current US-British positions on detection and verification by citing the Kennedy-Macmillan message to Khrushchev of 3 September 1961 which said that with regard to atmospheric testing, the US and Britain were prepared "to rely on existing means of detection, which we believe to be adequate." Zorin and other Communist delegates in Geneva have inserted the word "national" after the word "existing" and before "means of detection" and have asked, "If means are not national,

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what are they?" The US delegation has commented that the constant invocation of this US-UK offer is having "some effect" on the nonaligned nations. Nigerian Foreign Minister Wachuku, in a speech at the 24 March session of the conference, demanded that an agreement be concluded to cease tests in the atmosphere without mentioning international controls.

Concurrently with the disarmament conference, Moscow appears to be going to some lengths to convince Soviet citizens of Soviet military strength. Major General Pokrovskiy, a Soviet rocket-missile expert, wrote in the current issue of the magazine Ogonek that with the appearance of "global" rockets, "US territory has become wholly indefensible from the south, east, and west." He went beyond Khrushchev's 18 March remarks on Soviet "global" rockets and explicitly claimed, "They can carry superpowerful nuclear weapons of great weight." Despite its superiority in rockets and nuclear equipment, he added, the USSR indefatigably supports disarmament. On 25 March, a public lecturer in Moscow boasted about the USSR's 100-megaton bomb and said war could be prevented because of growing Soviet military strength based on long-range missiles and nuclear tests.

Peiping has continued to publicize the Geneva proceedings factually, and on 23 March Foreign Minister Chen Yi discussed the conference at a reception on the occasion of Pakistan's National Day. According to a Peiping summary of the speech, he lauded Soviet efforts at Geneva, but cautioned that the US is actually ex-

panding armaments, and that "vigilance" must be maintained against the "imperialists." The Soviet press briefly mentioned Chen Yi's remarks. Moscow noted that he expressed hope for concrete results at Geneva and quoted him as saying, "Of course, it will not be easy to compel imperialists to come to genuine disarmament...."

Outer Space

The full text of Khrushchev's 20 March letter to President Kennedy on outer space cooperation and a 150-word summary of the President's 7 March letter to Khrushchev were carried in the 21 March Izvestia and in Pravda one day later. Although the summary of the President's letter covered its highlights, the general impression conveyed by the treatment, accompanied by reports on favorable reactions from abroad, is that the Soviet Union was primarily responsible for the initiative. Pravda on 23 March carried a brief TASS dispatch on the President's 22 March press conference. The dispatch stressed his expression of satisfaction with Khrushchev's letter and conveyed the impression that outer space cooperation is possible in the very near future.

US and Soviet representatives on 27 March held the first meeting in their series of preliminary consultations to establish the basis for further formal discussions in regard to areas of US-Soviet collaboration in space. [redacted]

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

The armed forces commanders on 28 March ordered President Frondizi's arrest after he persistently refused to resign under intense pressure from the military and civilian elements outside his party. The political crisis was precipitated by Peronista gains in the congressional and provincial elections on 18 March which concomitantly reflected popular discontent with Frondizi's policies. Calls by most opposition parties for Frondizi's resignation added momentum to pressure for his ouster. The navy was the most determined of the services in insisting that Frondizi step down, and it overcame initial concern among the others over the threat to constitutional government by arguing that Frondizi would resign if subjected to sufficient pressure.

The armed forces commanders have no well-developed plan for a new government. They hope to prevail on one of the three in the line of presidential succession to accept the presidency in order to demonstrate that their purpose in removing Frondizi was not to establish a military junta. The first two in line--Jose Guido, president of the Senate, and Federico Monjardin, president of the Chamber of Deputies--have rejected any suggestion that they succeed Frondizi. Both are members of Frondizi's Intransigent Radical party (UCRI), which threatened to withdraw its majority bloc from congress if

Frondizi were ousted. The UCRI controls 99 of 192 seats in the lower house until 1 May and 42 of 46 Senate seats until the spring of 1964. Action on this threat is probably under UCRI consideration. Third in presidential succession is the 78-year-old president of the Supreme Court, Benjamin Villegas Basavilbaso. Any of these presidential successors would be required by the constitution to call new elections within 30 days--a prospect the military would dislike in view of the recent Peronista victories based on about one third of the total vote.

The junta formed by the commanders in chief of the three services prior to arresting Frondizi will be obliged to govern until the crisis over the presidency is resolved. These commanders are also reported discussing a provisional government to rule presumably until some way can be found to restore constitutional government.

The armed forces are maintaining firm security measures to prevent anticipated attempts at sabotage and violence. The Communists are reported planning disruptive demonstrations to embroil the Peronistas with the military and to take advantage of threats by Peronistas that they will oppose military repression of their activities. Tentative Communist plans before Frondizi's arrest reportedly called for attacks on US installations and businesses in Argentina.

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## SYRIA

The Syrian army command, which has attempted since the break with the UAR last September to control government decisions, assumed direct power on 28 March, accepted the resignations of President Qudsi and the Dawalibi cabinet, and dissolved parliament. Army Chief of Staff Zahr al-Din has advised the American ambassador in Damascus that there will be no change in Syrian foreign policy and that new elections will soon be held. The tone of the army command's statement broadcast by Damascus Radio on 28 March suggests, however, than an important change is contemplated in Syria's relationship with Egypt, as well as a leftward shift from the conservative Qudsi-Dawalibi line in internal political and economic matters.

These prospective modifications of policy are, in a sense, complementary. Re-endorsement of the "socialist" approach, agricultural reforms, and industrial nationalizations instituted by Nasir in Syria will obviously help to pave the way for an improvement in relations between the two countries. The present tension between Syria and Israel is probably an important factor

in the army command's decision to try for a better relationship with Egypt. Conversely, suspicion in the army that the Dawalibi government had gone too far in developing closer relations with Iraq hastened Dawalibi's fall.

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Both the composition of and the pressure on the army command have changed considerably since last fall. Present members have become increasingly involved with various Syrian political factions and increasingly subject to pressures from radical elements within the officer corps itself. The struggle for power within the army now seems likely to become more rather than less intense; the result over a period of time will probably be a government further to the left.

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## ISRAELI-SYRIAN TENSION

Syria and Israel continue to keep forces deployed in the Lake Tiberias area. Syria reportedly moved an additional tank battalion to the border area on 24-25 March. Israel has undertaken a limited, selective call-up of reserves and has moved an infantry battalion, an artillery battalion, and a tank-destroyer company into the area north of the lake near the Syrian border. Although neither side seems likely at this time to launch a major attack, further clashes are likely.

On 25 March, Israel seemed to be trying to invite an incident. It sent a ferryboat, with only an armed launch as escort, to cruise about the area of the lake where the previous shooting exchanges between Syrian shore batteries and Israeli patrol and fishing boats had taken place. The maneuver passed off without incident, however.

That same day an Israeli military representative informed the assistant chief of staff of the United Nations

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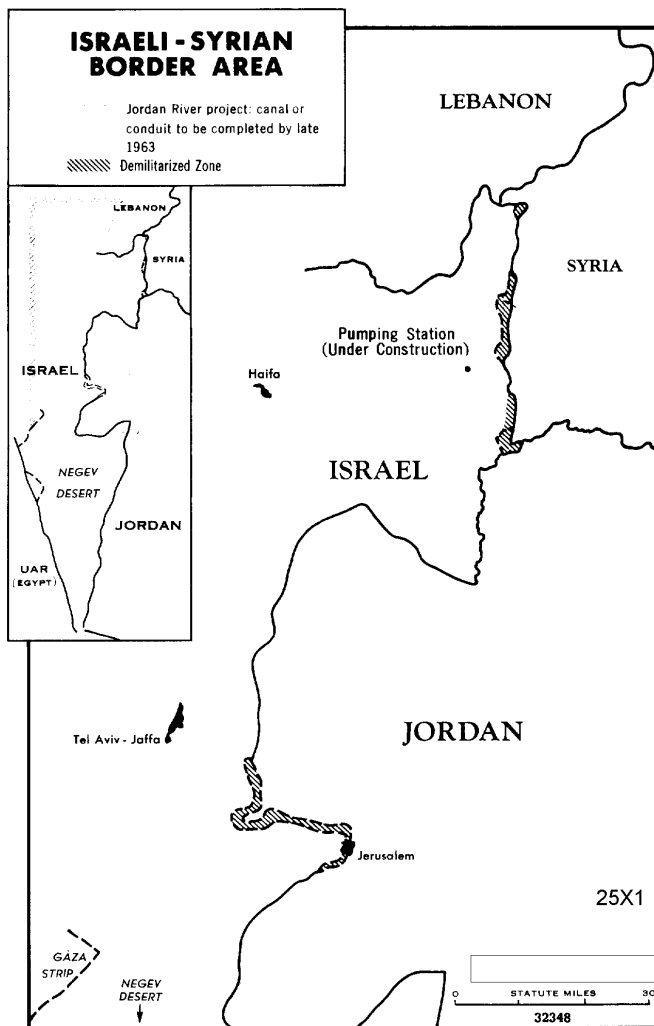
Truce Supervision Organization (UNTSO) that large-scale military maneuvers will soon be held in northern Israel, but "well away from the Syrian frontier." These maneuvers are probably designed both as a show of military strength and as a means of keeping units within easy striking distance of Syrian territory. On 27 March the Israelis reportedly held a training exercise involving a 500-man paratroop unit.

The UN Security Council heard complaints from both Syria and Israel on 28 March and agreed to call for a personal report next week from UNTSO's chief General von Horn.

Syria last week asked for an emergency meeting of the Arab League. However, the Secretariat, which continues to be under strong Egyptian influence, apparently did not push itself to convene an extraordinary session; instead, "Israeli aggression against Syria" is to be discussed at a regular meeting of the league to be held at the foreign ministers' level in Riyadh beginning 31 March.

Despite the well-published Syrian-Iraqi accord and recent assurances of support for Syria by the Jordanian and Saudi governments, prospects for effective military cooperation by the Arab states--even against Israel--have been dimmed as a result of Syria's breakaway from the UAR last fall. The Syrian army command, after its assumption of direct power on 28 March, made a standard

call for positive steps to achieve Arab unity and for mobilization of all efforts "to liberate and recover usurped Palestine." However, its appeal for unity departed



significantly from the Dawalibi government's line by singling out "dear Egypt" as well as "brotherly Iraq" as the two most desirable allies.

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## FRANCE-ALGERIA

Army willingness to enforce government policy in the face of European settler resistance, as evidenced by action against the Bab-el-Oued quarter of Algiers and the capture of Secret Army Organization (OAS) leader Jouhaud, appears to have damaged OAS prestige. De Gaulle's orders to liquidate the OAS, the installation in Algiers of the new French high commissioner, and the announcement of the composition of the provisional executive may seriously reduce settler support of the OAS unless it takes effective action to show that it can prevent implementation of the Evian accords.

Last week's fighting in Bab-el-Oued involved only a small part of the OAS forces and materiel, but its sympathizers were shaken by the vigor of the French Army's riposte. Systematic army action since the 23 March battle to neutralize the quarter has probably further impressed many settlers with the army's increasing identification with government policy. There are indications that the Bab-el-Oued outbreak may have been sparked by extremists beyond OAS chief Salan's control, who precipitated a confrontation with the army that Salan did not desire. French officials claim that captured OAS documents urged low-level OAS leaders to take the initiative in combating the forces of order, and feel that this directive indicates a lack of control and responsibility among the top echelons of the organization.

The French Government claims that the 25 March capture of ex-General Jouhaud resulted from military intelligence that Jouhaud was in Oran. The US army attaché in Paris feels that this is further evidence of army loyalty to the government, and failure of the OAS to obtain military support. An attempt by armed OAS commandos to

rescue Jouhaud was repulsed by the gendarmerie in a sharp fire-fight. De Gaulle has indicated that Jouhaud will soon be tried before a special military tribunal.

The OAS is attempting to exploit the "martyr" aspect of the firing by security forces on unarmed settlers in Algiers on 26 March, probably in the hope of creating individual crises of conscience within the army as well as increasing the settlers' determination to resist De Gaulle's policies. Although some French officials in Algiers reportedly described the incident as "tragically alarming," and official spokesmen there have expressed regrets for the deaths, the government has nevertheless reiterated that the security forces will continue to keep order by any means deemed necessary. Continuing government concern over possible repercussions of the event both among the Europeans and security forces is evidenced by the secret nighttime burial of the victims.

French officials say that captured OAS documents clearly indicate an intention to employ "the masses" in accordance with Chinese Communist revolutionary theory. The OAS publicly indicated on 29 March, however, that it would henceforth rely on guerrilla warfare and would not again call out the populace.

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Prospects for successful implementation of the Evian accords will be increased by the announcement on 27 March that Abderrahmane Fares will head the provisional executive

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which is to "direct the administrative and civil services of Algeria" and prepare for the self-determination referendum. The appointment of Fares, a highly respected and competent Moslem who is a former president of the Algerian Assembly, will increase the stature and importance of the mixed French-Moslem provisional executive, whose complete membership was announced on 28 March, and focus attention on it rather than on French High Commissioner Fouchet, who is less well known. Fares reportedly left Paris on 29 March to take up his duties in Algeria. The installation of the provisional executive at Rocher Noir will present the OAS with the alternative of attempting to prevent this step in the implementation of the accords or risking a further decline in popular support.

De Gaulle's appeal for full support against the OAS in his 26 March radio-television address underscores his determination to maintain the momentum of the government's successes against the organization. His request for a massive affirmative vote in the 8 April

referendum throughout France to approve the Evian accords is certain to be granted, as is his simultaneous request for extraordinary powers with which to implement the accords. However, he will be increasingly attacked for seeking such powers, even by many who favor his Algerian policy because they will consider them a virtual "blank check" for the future.

De Gaulle's biting references to the USSR in his speech, which reinforced Paris' request that Moscow recall its ambassador because of the USSR's de jure recognition of the PAG, were probably designed to serve both as a rap to French rightists who oppose his Algerian policy and to re-emphasize his contention that the time is not propitious for fruitful East-West negotiations. Although the 27 March Soviet declaration charged France with seeking to worsen relations between the two countries, Moscow seems to be somewhat defensive about its quick recognition of the PAG and does not appear desirous of letting this issue further aggravate relations with France. [redacted]

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## CONGO

Tshombé's strategy, as it appears to be evolving in his talks with Adoula, is to offer the prospect of Katangan economic concessions and to expect in return constitutional changes to permit a high degree of autonomy for the provincial government. In over six days of talks--resumed on 27 March

after a three-day suspension--the two leaders have not yet begun to discuss practical measures--financial, economic, or military--for Katanga's reintegration into the Congo. Considerable time has been spent wrangling over Tshombé's assertion that while he has a free hand to negotiate, any

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

agreement must be ratified by the Katangan Assembly.

Tshombé, by insisting on assembly ratification, has raised the issue of the validity of the Loi Fondamentale, the Belgian-drafted constitution which established the primacy of Leopoldville over the Congo's provinces. He wants to drastically amend, if not totally disperse with, this law. Adoula, on the other hand, who wants to retain it, maintains that the law requires no provincial ratification of agreements between a province and the central government. Adoula insists that he cannot suspend the Loi Fondamentale, since it affects all the provinces and revision is up to parliament. One of Tshombé's European advisers told the American consul in Elisabethville that Tshombé had all the authority he needed without reference to the Katanga Assembly. Tshombé himself reportedly told UN sources he would not hold out on the ratification issue, although he clearly intends to continue to press for constitutional concessions.

Tshombé listed four items in the agenda he proposed for the resumed talks: the first three involve discussion of new constitutional arrangements; the fourth is "an examination of accords to be reached on financial, economic, and fiscal matters." According to the European adviser, Tshombé will make "generous" economic concessions in return for political concessions.

According to UN sources, Tshombé wired Katangan officials on 24 March--during the suspension of the talks--that he was satisfied with the "progress" being made. He also informed UN civil chief Gardiner that he expected the talks to go on for some time. Adoula, on the other hand, appears to be growing more exasperated with the

Katangan leader and doubtful that he can budge him. On 24 March, Adoula laid the blame for Tshombé's intransigence on the US and the UN, which he charged have in effect been aiding Tshombé. He asserted that the UN had not carried out its mandate and that the US had blocked the establishment of a Congolese air force.

Adoula said Tshombé was acting as if he were the head of an independent state rather than a provincial president. The prime minister said that he himself might be censured by parliament for his failure to show some progress, and he might have to try to forestall such a move by taking the initiative and seeking a vote of confidence. He said he had to have something, even if he had "to go to Satan" to get it. On 27 March, Adoula called for a convocation of members of all six provincial assemblies to meet on 2 April at the University of Lovanium, near Leopoldville. Adoula's move is apparently designed to exert pressure on Tshombé to end what Adoula charges are "dilatatory" tactics.

If Adoula were to break off the talks while blaming Tshombé for their failure, it would seem that he would need to unveil some dramatic new tactic aimed at solving the Katangan impasse in order to maintain his political position. Another Congolese army "invasion" of Katanga, without UN logistic support, is almost certain to fail and thus worsen Adoula's position. In view of previous reports of plans by him to seek bilateral aid outside the UN framework--and his sharp criticism of the US and UN--this appears to be the most likely tack. If he got no satisfactory response from the Afro-Asian states, Adoula might, in desperation, turn to the bloc for assistance as the only means available to him.

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**CURRENT INTELLIGENCE WEEKLY SUMMARY**

**LAOS**

General Phoumi, following meetings with Assistant Secretary Harriman last weekend in which he was pressed to accept a Souvanna government, continues adamant in his refusal. In talks held at Nong Khai, a small Thai border town, and at Vientiane, Harriman outlined to Phoumi and his colleagues the Western view of alternative courses open to their group: either participation in a coalition government in which Souvanna supporters would hold the key posts of defense and interior; or assumption of responsibility for the military takeover of Laos by the Pathet Lao. Phoumi, probably unconvinced that the US would withdraw vital military aid, argued that a government headed by Souvanna and without strong anti-Communists in control of the army and the police would rapidly fall under the domination of the Pathet Lao. Additional meetings between Harriman and other prominent right-wing leaders, including King Savang and Premier Boun Oum, showed united support for Phoumi's obdurate stand.

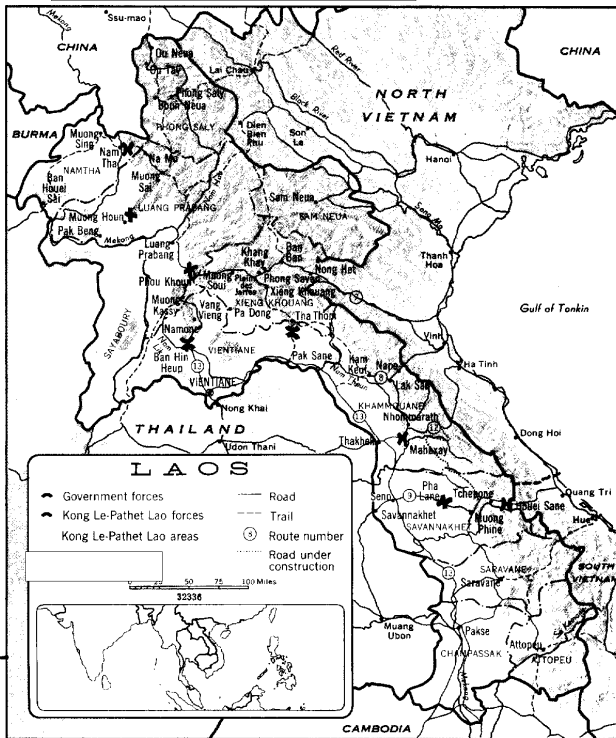
Souvanna is becoming discouraged and has announced that he will fly to France during the first week in April for a visit of undetermined length. He has, however, stated his willingness to return if there are signs of progress. In talks with the British ambassador on 28 March, Souvanna declared that he had no intention of relinquishing his "mandate" from the King to form a coalition government.

Meanwhile, the suspension of dollar aid to the government amounting to three million dollars a month--has resulted in

the imposition of stringent financial controls designed to conserve foreign exchange. To date, such measures appear to have been relatively ineffective. A US government official in Laos recently estimated that "without outside assistance, the country will soon be bankrupt," probably within six months.

The military situation has been marked by Vientiane's reinforcement of the Nam Tha garrison with paratroop elements from southern Laos, raising the total commitment there to seven battalions. They are opposed by an estimated seven anti-government battalions: two North Vietnamese, three Khamouane/Kong Le, and two Pathet Lao. Sporadic shelling by both sides occurred at Nam Tha during the past week.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****WEST NEW GUINEA DISPUTE**

The Dutch decision on 27 March--taken after renewed Indonesian infiltration--to send troop and ship reinforcements to West New Guinea apparently precludes any early resumption of preliminary talks with Indonesia about the disputed territory. President Sukarno had withdrawn his representatives from the discussions on 26 March, claiming that they were making no progress. He is likely to view the subsequent Dutch decision as a belligerent act, confirming his belief that the Netherlands is unwilling to transfer the territory to Indonesia. It is possible, however, that he will pursue a peaceful settlement through other diplomatic channels.

Indonesia has largely avoided public comment on Dutch reports of an Indonesian infiltration of the Dutch-administered island of Waigeo, probable infiltrations at Fakfak and Namaripi on the New Guinea mainland, and two air-naval incidents during the week of 20-27 March. A high-ranking Indonesian intelligence officer has generally confirmed to the US army attaché that the infiltrations did occur, as well as the bombings and strafing of a small Dutch ship by an Indonesian plane near the island of Gag. According to press reports of 27 March from Hollandia, Dutch naval craft have blockaded the entrances to rivers and small bays on the south coast in an effort to trap three or four Indonesian torpedo boats which fled there to avoid pursuit on the nights of 25 and 26 March.

Indonesia continues its military buildup in the east Indonesian area, apparently both as a pressure tactic and as preparation for additional and larger operations against West New Guinea if diplomatic methods to acquire the territory are unsuccessful. The area commander for New Guinea operations is General Suharto, with headquarters in Makasar.

In retaliation for the Dutch decision to reinforce, Sukarno probably will order accelerated military preparations and new infiltrations. Further incidents between patrolling air and naval units are increasingly likely.

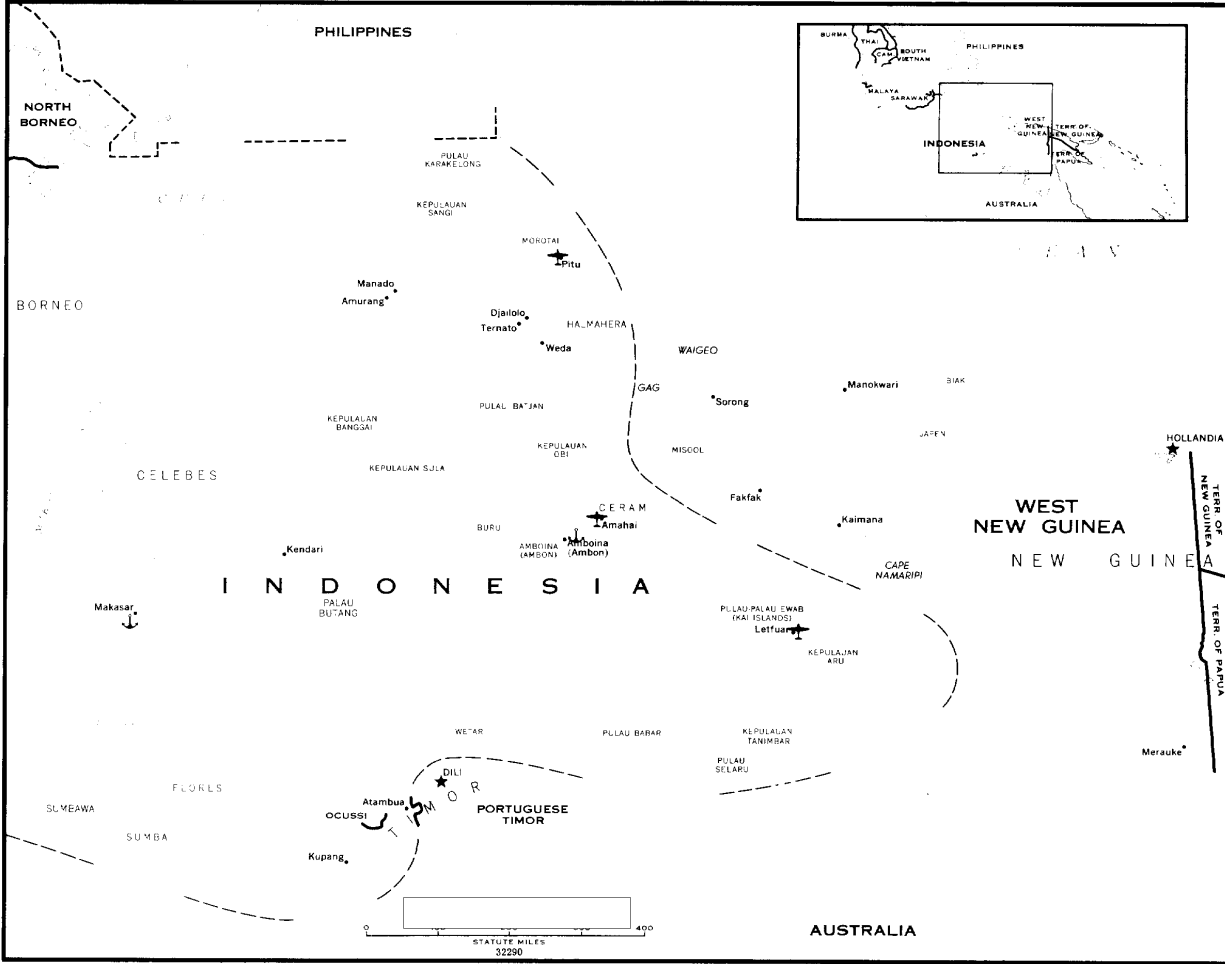
The Indonesian Government appears still to be holding to the mid-1962 deadline for the completion of preparations for New Guinea operations. By that time, however, the armed forces will not have absorbed military equipment still being delivered from the Soviet Union, and some of the training programs provided by the Soviets will not have been completed.

The Dutch decision to reinforce was made in response to growing pressure within the cabinet for more decisive measures to meet the stepped-up pace of Indonesian military activity and to the heightened public concern for the safety of Dutch nationals there. Earlier this week, the Dutch took the preparatory step of advising the North Atlantic Council that they might be compelled to

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CURRENT INTELLIGENCE WEEKLY SUMMARY



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withdraw some of their NATO-committed forces for duty in West New Guinea.

In announcing the decision to parliament, Prime Minister de Quay stated that several naval units were on their way and that a "limited strengthening" of troops was also contemplated.

[Redacted]

The Dutch Government apparently has authorized the airlift by KLM of 1,500 troops from the Netherlands to West New Guinea, a sizable number of which already are en route. The Dutch press reports that military authorities in West New Guinea have sought an additional battalion of marines to augment the present garrison of some 5,000 troops in order to cope with the Indonesian infiltration operations as well as to deal with possible unrest among the native population.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

## POLAND TIGHTENS LEGAL SYSTEM

As a result of its failure to curb embezzlements and thefts of state property--amounting to many millions of dollars--the Polish regime has begun to overhaul the legal system to provide more aggressive prosecutions, more thorough investigations, and more severe sentences for major offenses. Opposition to the moves--particularly among lawyers--has delayed implementation and has caused the regime to resort to intimidation and efforts to bring all solicitors and attorneys under closer supervision.

The shakeup has its origins in a 1960 Warsaw economic show trial when regime leaders demanded a precedent-setting death sentence but were frustrated, despite heavy party pressures, by strong counter-pressures from members of the bar and the judiciary, as well as by some elements of the party and the government. The minister of justice and the prosecutor general were said to have resigned in protest; the minister of justice reportedly was persuaded to return to his post, but the prosecutor general refused, with the result that in May 1961 he and all of his deputies were replaced by hard-line Communists.

Concerned over its inability to impose its will, the regime has enacted into law a compromise reform of the Supreme Court under which the regime retains the right to appoint justices every five years and to recall them for "bad work." The former chief justice has been shunted to a seat on the World Court at The Hague. Summary court procedures--from which there is no appeal--have been introduced for economic offenses. Quasi-legal workers' courts continue to be established in factories, and lay courts, sitting as a part of the local people's councils, have been reinstated to handle minor offenses. Party control commissions have stepped up their work, and in 1961 over 4,000 members were expelled from the party for economic crimes.

A year-long press campaign against lawyers has exaggeratedly accused them of peddling influence and demanding excessive fees; many have been threatened with suspension from practice, and some have already been suspended. Actually, however, during 1959-60 only 13 of Poland's 5,500 lawyers were convicted for malpractice. The Polish bar association has been under heavy fire for "failing to control" its members.

The association helped, however, to draft a bill calling for a drastic reform of the bar which was submitted to the Sejm (parliament) on 22 March and, if adopted, would severely curtail the independence of Polish lawyers. Under its provisions, private practice would be abolished, and teams of lawyers would work under profit-sharing rules and the "influence" of the team's party representative. Legal training is to be revamped to produce a "socialist type of lawyer." The state would have a veto over decisions of the bar association's disciplinary commission and would also have the power to transfer lawyers to "localities where they are needed." Earnings--which in 1961 ran from three to nine times the average worker's monthly wage--would be regulated to a "level recognized as socially correct."

Two other bills before the Sejm would significantly aid the regime's efforts to increase control over the populace. One would grant wide leeway to the police, who would be empowered to collect, or ignore for political reasons, delinquent taxes. The other would give the police wide discretion to determine what constitutes a legal public gathering. These laws could be particularly effective against the Catholic Church and the peasants. The overhaul of the legal apparatus is potentially a serious threat to the individual freedoms instituted in 1956.

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**CURRENT INTELLIGENCE WEEKLY SUMMARY**

**MILITARY BUDGETS IN THE EUROPEAN SATELLITES**

Recent data indicate that most of the European satellites increased their explicit military expenditures for 1961 above originally planned levels and that some of them plan further increases in 1962. During the period 1955-60 such expenditures in most satellites declined or remained stable, and the increases probably are in reaction to the Berlin crisis. They are not sufficiently large, however, to constitute a significant increase in the share of military spending in total budget expenditures and therefore do not represent a major shift in resources to the defense sector.

The satellite regimes in 1960 announced plans to raise expenditures for national defense in 1961, and defense spending during that year was further raised above planned levels in Bulgaria, Czechoslovakia, Poland, and Hungary. Defense budgets for 1962 show further increases (see chart). East Germany also has planned increased defense spending, but no meaningful data are available. Except in Poland, where the revision in wholesale prices in July 1960 may have somewhat inflated the defense budget for 1961, the indicated rise in military budgets appears to reflect a real increase in defense spending. The possibility of unannounced increases in military pay or in procurement prices, or of changes in budgetary accounting, cannot be excluded, however.

The announced military budgets probably are not comprehensive, and the percentage of defense costs accounted for elsewhere in the budget probably varies considerably among the countries. In Poland, the only country which publishes detailed data on budgetary expenditures, the budget does not appear to contain any large components of defense allocations outside of the

**PERCENTAGE INCREASES IN BUDGET EXPENDITURES**

	Planned Increase 1961 over 1960	Further Increase in 1961 Over Planned Levels	Planned Increase 1962 over 1961 plan
Bulgaria	15.3	5.4	9.0
Czechoslovakia	8.3	13.6	14.0
Hungary	8.9	Considerable Increase	45.5
Poland	12.6	2.4	16.1
Rumania	3.3	Not Available	13.8

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announced military budget. East Germany, on the other hand, appears to be a special case. The announced figure for military expenditures remained virtually constant between 1956 and 1961 at approximately one billion East marks per year, but in 1962 such expenditures were announced to be roughly 2.8 billion East marks (4.9 percent of the total budget). This figure represents only a fraction of total defense costs, however.

No major reallocation of satellite resources has resulted from the recent and planned increases in defense spending. In general the increases are large enough to keep the defense share of total expenditures constant or to cause a small increase (see chart). During the years 1956-60, however, the share had been decreasing or had remained constant in most European satellites, and the share in 1961 and 1962 remains well below the 1955-56 level in all countries.

In real terms, moreover, defense expenditures probably remained below the 1955 level, at least until 1960 or 1961. This tentative judgment is based on the assumption that changes in defense costs roughly paralleled price changes of nonmilitary items.

A comparison of 1962 planned increases with actual 1961 expenditures indicates that the bulk of recent increased defense expenditures took place during 1961. In Czechoslovakia and Bulgaria, planned increases in 1962 expenditures over actual expenditures in 1961 totaled only 0.3 percent and 3.4 percent respectively. In Hungary, moreover, it appears that actual defense expenditures rose sharply in 1961. Of the remaining countries for which data are available, only Poland plans a considerable increase--13.4 percent--in 1962.

(Prepared by ORR)

**SATELLITE DEFENSE EXPENDITURES**

	1955	1956	1957	1958	1959	1960	1961 (plan)	1961 (actual)	1962 (plan)
<b>BUDGETED DEFENSE EXPENDITURES</b> (Current Prices)									
Bulgaria (million old leva)	1,895	1,472	1,540	1,729	1,628	1,786	2,059	2,171	2,244
Czechoslovakia (million crowns)*	10,429	9,606	9,319	8,933	8,789	8,783	9,512	10,810**	10,842
Hungary (million forints)*	5,700	4,085	1,912	2,078	2,403	3,100	3,376	---	4,912
Poland (million zlotys)	12,577	12,682	10,136	11,220	14,259	14,920	16,800	17,200	19,500
Rumania (million lei)	4,227	3,984	3,817	3,597	3,446	3,392	3,503	----	3,988
<b>PERCENTAGE OF TOTAL BUDGET EXPENDITURES</b>									
Bulgaria	11.1	8.5	8.2	8.5	6.2	6.0	6.25	6.6	6.0
Czechoslovakia	12.1	10.7	9.5	9.4	9.2	8.5	8.5	****	8.8
Hungary	12.5	9.7	3.7	4.3	4.6	4.6	4.5	----	5.9
Poland	10.2	9.5	6.6	6.7	7.8	7.5	7.4	7.85	7.95
Rumania	9.8	9.5	8.7	8.0	7.1	6.1	5.4	----	5.1

\*Plan data only. Defense expenditures in Czechoslovakia include outlays for public security.  
 \*\*Estimated  
 \*\*\*Considerably higher than planned  
 \*\*\*\*Not available.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

## FOOD SITUATION IN COMMUNIST CHINA

The seasonal low in food supplies in Communist China is from March through June, when stocks from the previous fall's harvest are nearing depletion and the first summer crops are not yet in. Grain production is estimated to have been far short of requirements since 1959. Successive annual deficits have been offset to some extent by drawing on reserve stocks and by sizable grain imports, but the food situation has become increasingly precarious. Especially serious food shortages were noted in the spring of 1961, and the poor grain harvest in the fall indicated another crisis this spring.

In some respects the current shortages may be worse than last year's. The cumulative effects of three years of food shortages have resulted in widespread malnutrition, and further shortages may aggravate an already serious health problem. Also, more serious deficits throughout North China and a greater emphasis on pegging peasant rations more closely to local output will widen the disparities between the various localities. However, there has been some improvement over last year. The regime's encouragement of private plots has resulted in a significant increase in subsidiary foods, and the continuation of free markets permits greater access to vegetables and other protective foods.

While some areas face worse shortages than others and malnutrition will probably continue to be widespread, the basic food situation does not seem noticeably worse than last year at this time. In this regard, there have been fewer reports of edema and other nutritional ailments than at this time a year ago.

The planting season for crops to be harvested early this summer is past, and the outlook for these crops is mixed. Weather conditions, especially in the north, were much more favorable than in the preceding year. On 27 December, however, People's Daily reported, contrary to earlier indications, that the five North China provinces which account for about 60 percent of total winter wheat area planted less acreage this past fall than in 1960. With the winter wheat area below normal in 1960-61, People's Daily thus implied for 1961-62 one of the smallest winter wheat acreages since the regime came to power. Although good growing conditions should improve yields significantly compared with last year, the implied decline in acreage would seem to rule out any hopes for a bumper harvest of winter wheat in 1962.

Indications that low morale is affecting farm work have appeared with increasing frequency since late winter. The Hupei Daily on 27 February indicated concern that an improper attitude toward "spring scarcity might affect spring planting in that province; Shansi has reported that the enthusiasm of some peasants for production is "not too high"; and Honan has complained of "complacency" among the cadre and peasants and a "laissez-faire" attitude toward spring farm work in some units. More recently, Chekiang remarked on the need to raise the peasants' enthusiasm for work and in turn their attendance rate in the fields.

It is possible that the regime is merely being more candid this year, in which case the problem may be no more severe than in previous seasons; it is equally possible that there is good cause for the apparent increase in concern.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

## CUBAN POLITICAL CHANGES

Recently announced cabinet and other personnel shifts confirm earlier indications of the Castro regime's plans to develop a political structure similar to that of Communist states. Further shifts of assignments among top leaders can be expected.

Two cabinet changes were announced on 24 March. Manuel Luzardo, a veteran Communist, is the new minister of internal trade, responsible for administering the domestic supply and distribution of consumer goods. This appointment follows recent regime statements partially attributing the necessity for food rationing to failures in the supply system. Luzardo, unlike his predecessor, is a member of Cuba's top policy-making group, the National Directorate of the Integrated Revolutionary Organizations (ORI). The recall of Ambassador Faure Chomon from Moscow to become minister of communications probably was dictated by his earlier appointment to the ORI directorate.

The announcement on 23 March that Fidel and Raul Castro had been "elected" to the positions of first secretary and second secretary of the directorate may have been timed to quiet speculation that the power of the two men is being gradually assumed by veteran Communist leaders. The subsequent appointment of Raul to the newly created post of deputy premier puts him in a position, at least theoretically, to succeed Fidel Castro in both party and government posts.

Perhaps the most significant political event in recent weeks was Fidel Castro's denigration of ORI leader Anibal Escalante in a televised address on 26 March. The 53-year-old Escalante, a Communist party member since 1932 and generally considered to be the third-ranking party leader, was named to the 25-member ORI National Directorate on 9 March. In his unexpected attack--apparently launched only hours after Escalante had left Cuba for Czechoslovakia--Castro openly admitted the existence of a split within the top Cuban leadership, although the nature of the breach and the issues involved remain unclear. Escalante was charged with "serious errors" in following a "non-Marxist and deviationist line" in his efforts to "set up an apparatus to pursue ends of a personal nature."

Castro's warning that "from this moment on all differences between the old and the new must end" suggests that Escalante's fall results from a conflict between the old-guard doctrinaire Cuban Communists and the younger leader's associated with Castro. Castro's position as "maximum leader of the revolution" does not seem to be jeopardy, nor do the most influential veteran Communists, Blas Roca and Carlos Rafael Rodriguez, seem in conflict with Castro. It is possible that Escalante was purged by his own party colleagues because of "Stalinist" traits and a reluctance to accept the principle of collective leadership.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

## BRAZILIAN INTEREST IN SHALE OIL DEVELOPMENT

A number of influential political and military leaders in Brazil, concerned over the country's dependence on oil imports, are interested in developing oil shale resources. A mission from Petrobras, the Brazilian state oil monopoly, is reported to be going to the bloc, apparently to inspect oil shale facilities.

Brazil lacks adequate reserves of natural crude oil and must import two thirds of its oil requirements at an annual cost of some \$250,000,000. It has, however, oil shale in the amount of some 100 billion barrels of estimated but unproved reserves. Exploitation of these shale reserves would require substantial capital investment.

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it would cost about \$150,000,000 to establish a shale oil industry able to produce 50,000 barrels a day--one quarter of Brazil's current imports. Expert opinion is divided as to whether the cost of shale oil produced in Brazil would be competitive with imported crude.

Brazilian Communists have achieved major successes in the past ten years in building Brazilian distrust of American oil companies. The Communists were the first group to advocate the national petroleum monopoly, which was set up with general support in 1954. In the past year they have been playing up the negative results of the American-directed \$300,000,000 oil exploration in Brazil. A recent editorial in a leading Communist weekly stat-

ed that a US offer of \$7,000,000 to finance a pilot shale plant was motivated by a plan of US oil companies to bloc production in Brazil and to preserve their market.

The USSR reportedly is about to supply equipment for a pilot shale-processing plant under a contract signed in 1960 with a private Brazilian firm. The plant would be used to determine the feasibility of producing gas commercially. The USSR may view the prototype project as an opportunity to demonstrate the effectiveness of Soviet techniques and as the forerunner of extensive aid for shale development in cooperation with Petrobras.

Moscow probably would insist on thorough investigation before agreeing to any large-scale venture for the extraction of oil from Brazilian shale. Forthcoming conversations with Petrobras officials may lead to an agreement for undertaking such studies. Soviet First Deputy Premier Mikoyan, who is reportedly scheduled to open the USSR's trade fair in Brazil in May, may make a formal offer of Soviet economic aid which probably would envisage, among other things, a program for shale development.

The Soviet Union and Communist China are the world's leading producers of shale oil, with China producing 20,000 barrels a day in 1961. The USSR probably could supply any type of equipment for the industry found in the West and some not used outside the bloc.

(Prepared jointly with  
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## CURRENT INTELLIGENCE WEEKLY SUMMARY

## EUROPEAN CONFEDERATION TALKS

Despite months of negotiations, agreement on a treaty to establish a European political union still eludes the six Common Market (EEC) countries. Recent meetings, notably that of the foreign ministers in Luxembourg on 20 March, have blurred the long-standing differences over the actual text of the treaty, but final signature is unlikely until there is some reduction of the distrust among the EEC countries of De Gaulle's overall European and Atlantic policies.

Major textual issues have been reduced to those articles setting forth the competence of the union in economic and defense matters and providing for treaty revision after an initial transitional period. French Foreign Minister Couve de Murville made new proposals on these points at Luxembourg. While insisting that the union must be able to deal with economic matters, he agreed to a protective clause for EEC institutions, suggested stating that one of the union's objectives would be to strengthen the Atlantic alliance, and offered a new clause saying that the treaty would be revised to "broaden its democratic institutions."

Although conciliatory, none of these proposals proved entirely acceptable to the other five members. All or most of them want still further assurances that the new union will not encroach on the economic prerogatives of the EEC. Moreover, they insist that the French commit themselves now to eventual popular election of the European assembly and to the introduction of the majority rule in the union's operations,

and they want explicit guarantees that common defense policies adopted by the union will be geared to NATO's.

There are a number of reasons for the importance attached to these remaining differences, which on the surface appear small. All the EEC countries except France regard the loose union now under consideration as a poor substitute for a fully integrated political community, and while they recognize that federation is not attainable now, they wish to preserve the possibility of one. In the meantime, the smaller members--Belgium and the Netherlands particularly--want assurances against the union's domination by Paris and Bonn, and they feel they can get this only if the union is truly supranational, or if they are certain that Britain's accession to the EEC will not in the long run be blocked by France.

Belgium's Foreign Minister Spaak especially has voiced the smaller members' deep suspicions of De Gaulle. Spaak is increasingly critical of De Gaulle's tendency to go it alone on NATO and other matters, and during the Luxembourg meeting Spaak said he could see no point in attempting to institutionalize political cooperation among the EEC countries until they first demonstrated an ability to reach an identity of views on issues of such crucial importance. Probably adding to Spaak's concern is the expectation that an Algerian settlement will permit De Gaulle to push his ideas respecting Europe and NATO with even greater vigor.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****JAMAICA'S PRE-INDEPENDENCE ELECTIONS**

Jamaica, which decided last September to secede from the West Indies Federation, will hold elections on 10 April preparatory to becoming on 6 August the first of Britain's Caribbean possessions to gain full independence. The political campaign may become turbulent as the island's two closely balanced moderate parties strive to gain the edge. These parties, which have alternated in administering the colonial government for nearly 20 years, are similar in policy and program, and either could win.

Jamaica has a viable, diversified economy based on bauxite, tropical agriculture, light industry, and tourism, and has enjoyed years of relatively stable administration. These have laid a firm basis for independence, but unresolved problems could lead to instability after the enthusiasm of achieving independence has subsided. Despite extensive development and encouragement of industry, unemployment persists--the current rate is at least 14 percent--and will be aggravated when Britain's migration curbs begin to take effect. Britain's entry into the Common Market, moreover, could seriously hurt Jamaica's agricultural exports. The Jamaicans are likely to make requests for US defense aid, in view of the island's commitment to uphold the 1961 Defense Areas Agreement respecting US space and missile research

facilities on Grand Turk Island, a Jamaican dependency.

Both Premier Norman Manley's People's National party (PNP) and Sir Alexander Bustamante's Jamaica Labor party (JLP) are middle-of-the-road parties favorable to US interests, but each is plagued by aging leadership and internal factionalism. Each attracts support from all sections of the electorate, with the result that the election outcome depends on the uncommitted rural voter. Whichever party is defeated is likely to face a leadership shuffle, with less conservative politicians coming into greater prominence.

Extremist elements now are quiescent: the Back-to-Africa Rastafarian agitation of 1960 has largely collapsed, and the radical leftist People's Political party (PPP) has lost some of its appeal among the urban slum dwellers by moderating its former extreme Negro racialist line.

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The Cuban Consulate has recently augmented both its personnel and its activities, and the government was sufficiently concerned to reject a proposal for an exchange of visits by 50 students.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

SPECIAL ARTICLES

## PROBLEMS FACING THE NEW ITALIAN GOVERNMENT

Italy's Christian Democrats are trying a new experiment: rapprochement with the Socialists in order to modernize and "moralize" the country's institutions, spread the benefits of the "economic miracle" more widely, and cut into the strong voting appeal of the largest Communist party in Western Europe. However, vested economic and political interests--both Communists and rightists--will be able to exploit serious differences among the government parties on such questions as NATO bases, defense spending versus domestic development, church versus public schools, fiscal and bureaucratic reforms, and anti-trust legislation. Before anything more than a start can be made on any of the government's major programs, the election of a new President near the end of April will absorb general attention. The result of the election will have an important bearing on the new government's longevity.

The effectiveness of the new government depends on a combination of factors, the most significant of which may be the deadlines Premier Fanfani set for his program in his investiture address. The program is not much different from that his party has long proposed but never pushed through, and a majority of the 19 Christian Democratic ministers, including Fanfani, are holdovers. Moreover, Socialist support is not absolute, since, while the Socialists can be expected to vote for most of the government's domestic reform legislation, they abstained in the

vote of confidence and will probably do so on some foreign policy measures.

Nevertheless, the basis for important steps toward socio-economic reform is apparent--for example, in the creation of a special post for economic planning under the key Budget Ministry. Ugo la Malfa, who has this post, is a leader of the coalition Republican party and one of the postwar political leaders responsible for Italy's remarkable economic recovery.

Program Deadlines

On the touchy school issue, Fanfani would replace the present ten-year plan by an accelerated 1962-1965 program to provide additional state schools. He proposes continuing aid for religious schools, but within certain limits designed to appease leaders of the coalition lay parties. He also called for greater government support of scientific research and asked for other reforms designed to bring order into technical and higher education. This programming, which appears to result from a compromise proposal by the Social Democrats, would appear to have a good chance of success. It could be scuttled, however, should the Christian Democrats insist on especially large sums for aid to church schools.

Fanfani wants increased economic planning at the national level and emphasis on reducing disparities between northern Italy and the underdeveloped south. He has pledged an immediate start on the

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problems of the farm-tenancy system, proposing long-term low-interest loans which would enable tenants to buy about half of the million acres operated under share-tenancy contracts. Most Italians, however, will view land reform activities skeptically, in view of the slow progress made thus far in the large areas of southern Italy scheduled for land reform.

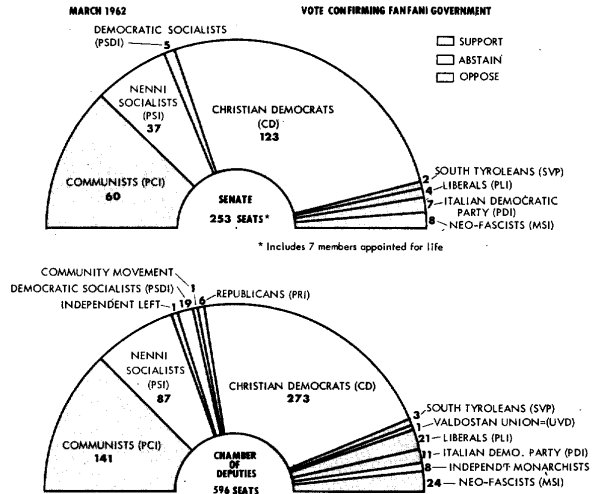
Nationalization of energy is a standing demand by the Socialists, who consider it necessary as a symbolic act to mollify their constituents. Fanfani has promised a draft law within three months. A start would be made with nuclear energy, and a timetable for conventional sources of electric power would be developed by a committee of experts headed by Pasquale Saraceno, author of the 1954 Vanoni ten-year plan for economic development, which has not been strictly adhered to by previous Italian governments.

Right-wing Christian Democrats oppose state control of energy, and others may be wary of current proposals to give the state holding company, IRI, control over the electrical industry. The government has failed to exercise adequate control over IRI industries, and attempts to remedy this situation by giving it greater access to the records of IRI firms would be opposed by such influential figures as Enrico Mattei, freewheeling chief of the government's petroleum holding company, ENI.

#### Regional Government

Fanfani has committed his government to establishment of a special region for Friuli-Venezia Giulia as soon as possible, with bills to be presented by October setting up the other regions called for by the constitution. These regional governments would be established after the national elections in 1963. The Christian

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Democrats have long postponed such a step on the grounds that the Communists would thereby gain control of many regional assemblies and, through this means, of the local police. However, government leaders, who point out that the national police will remain outside the control of regional officials, will also claim that the danger of local Communist control has been lessened since 1960 by the breakup of many Socialist-Communist alliances in key city and provincial governments and their replacement by coalitions of Socialists and Christian Democrats. They expect more Socialist-Communist ruptures now that Christian Democratic - Socialist rapprochement has been blessed at the national level.

#### Fiscal and Bureaucratic Reform

Although fiscal reform is a basic part of the new government's program, early deadlines have realistically not been set. Such measures as anti-trust legislation, registration of shareholding, a withholding tax on dividends, and new taxes on land used for commercial development will meet determined opposition. The Socialists may not insist on abolition of the secrecy

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of bank balances--but they may demand greater enforcement of tax laws already in existence. The present treasury minister, Roberto Tremelloni, is the author of one such law.

A basic problem from which public cynicism toward Rome has sprung is the need for bureaucratic reform and the "moralization" of public administration. The press points out that little has been accomplished in this regard since the liberation of Italy from the Fascist regime, despite the formation of many discussion and study groups, and even the establishment of a Ministry for the Reform of the Bureaucracy. Italian journalists urge that the government use as the spur for reforms the recent inquiry into the Fiumicino airport scandal, which resulted in a parliamentary censure. The names of leading politicians, including cabinet ministers, were involved.

Foreign Relations

Social Democratic leader Saragat pointed out recently that an intensification of the cold war could end Fanfani's Socialist-backed government. Although the Socialists have privately hinted they might not vote against a NATO nuclear force, their public statements of opposition have been used by members of the Liberal party--erstwhile partners of the Christian Democrats--to challenge the government's foreign policy. Even within the Christian Democratic party, former premier Scelba, a strong opponent of Socialist-backed government, is seeking to convince US observers that Fanfani is an opportunist who would work for Italy's withdrawal from NATO if such a move would benefit his personal fortunes.

Historian Luigi Salvatorelli, who welcomes the new

government's approach to domestic reforms and its attempt to broaden the democratic base by inclusion of the Socialist party, nevertheless points out in an 18 March editorial in the center-left daily Stampa that foreign policy is one field in which experimentation or "historic turnabouts" should be avoided.

In his summing-up speech before the confidence vote in the Chamber of Deputies, Fanfani reaffirmed Italy's loyalty to NATO and to all international commitments, including "support in principle" of a NATO nuclear force.

Parties

The Christian Democrats are still sharply divided on government policy and, despite protestations of cooperation, right-wing leaders would take any good opportunity to dump Fanfani on a secret ballot. Agents of vested economic interests, such as the National Association of Manufacturers (Confindustria), are probably also seeking to sabotage the government. Within the cabinet, Defense Minister Andreotti--leader of the Christian Democrats' extreme right wing--may be a rallying point for those determined to block Fanfani's program.

Saragat's moves in favor of the present center-left formula have averted the threat of a split-off by his party's left wing. Saragat could balk, however--possibly to the extent of pulling the party out of the government--if he felt that Christian Democratic rapprochement with the powerful Nenni Socialists was undermining his own position and that of his small party. He has already charged publicly that the Socialists' decision to abstain rather than vote in favor on the

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confidence vote resulted from a deal made without his knowledge by which the Christian Democrats and Socialists sought to avoid appearing too conciliatory toward each other.

Leadership of the Republicans--the smallest of the three cabinet parties--has been consolidated by La Malfa and party secretary Oronzo Reale. They have at least temporarily subdued their stormy right-winger Pacciardi, but he is unlikely to relinquish his deep-seated aspiration to be the De Gaulle of Italy.

Socialist chief Nenni, in achieving his party's benevolent abstention in the vote of confidence, has apparently been able to discipline the party's pro-Communist faction with the argument that support for the government's domestic program will pay off in patronage and influence. However, the Communists--although they voted in opposition and thus failed to give the new government the "kiss of death" as they had threatened to do--will try hard to avoid isolation. They can be expected to concentrate their efforts on the Italian General Confederation of Labor (CGIL) and stress working-class unity as a deterrent to attempts to detach the Socialist unions.

On the right, the Liberals, the fragmented monarchist groups, and the neo-Fascists will be alert to support right-wing Christian Democrats on controversial issues. If the occasion arises, both rightists and Communists may even seize the opportunity to harry the new government by finding excuses for street demonstrations leading to riots.

Prospects

Despite its substantial investiture majority, the

Fanfani government's position will be precarious when it attempts to press for extensive changes in the Italian social structure. Routine delays may block initial steps toward reforms before the interruption occasioned by the April presidential elections, after which the government must make a pro forma offer of resignation to the new president. A president hostile to the present government formula--as are such Christian Democratic aspirants as Foreign Affairs Minister Segni and Senate President Merzagora--would have the power to try to replace Fanfani with someone else at that time. Whether or not he attempted to do so, his incumbency would renew the controversy between Christian Democrats favoring and opposed to the "opening to the left," and the disruptive effects of this upsurge could be used to try to sabotage the government.

Even if Gronchi is re-elected, or if he is replaced by someone else such as Saragat who favors the center-left experiment, there will be little time left for legislation before the summer parliamentary recess, after which parliament must concentrate on passage of the budget before 31 October. National elections--due in the spring of 1963--will further limit the time available for preparation of controversial legislation.

Reluctance to face the electorate before results are evident will probably be the major incentive to early reform efforts by the cabinet parties. Although the Nenni Socialists probably expect that these efforts will not have brought sufficient results by election time to prevent the shift of some votes from them to the Communists as a result of the Socialist party's new tack, they will hope to be able to point to the vigor of the government's initial efforts as an indication of future accomplishments.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****THE CONGOLESE ARMY**

Nearly two years after its post-independence mutiny, the Congo National Army (CNA) remains largely undisciplined and a threat to the country's security. Moreover, its demonstrated inability to mount operations against Tshombé's southern Katanga stronghold has tended to weaken Premier Adoula's position in his negotiations with Tshombé. Within the Leopoldville government there are conflicting views concerning the reorganization of the army and a nagging fear that any effort at drastic reform might trigger new unrest.

Legacy of Independence

At the time the Congo became independent on 1 July 1960 the Force Publique, which became the nucleus of the CNA, was regarded as one of the best trained forces in Africa. Its equipment--mostly Belgian--included automatic rifles, machine guns, mortars, bazookas, and armored vehicles. It had no African officers, but individual Congolese had demonstrated competence as noncommissioned officers and were counted on to provide leadership after independence.

In the period following the mutiny of the Thysville garrison only five days after independence, there was a complete breakdown of discipline in the CNA except in Katanga. There, with a view to maintaining Katangan autonomy if not independence, Tshombé retained Belgian advisers for the 3,000-man nucleus of the present 10,000-man Katangan army. Unreliable Force Publique elements

were dismissed, and the immigration of European mercenaries was encouraged. Elsewhere in the Congo, CNA units led the pillaging of African and European installations alike and helped to alienate the provinces from the central government.

In the months following independence, the CNA became on paper one of the world's best paid armies. In an effort to forestall new depredations, the late Premier Lumumba initiated army pay raises which made the pay of the average soldier \$90 per month. An army-wide promotion made the rank of private temporarily obsolete. Lumumba and his successors came to realize that only through the prompt meeting of CNA payrolls could new disorders be averted, and the army became the Congo's new elite. Nonetheless, "raids" on provincial banks by local CNA units were a common occurrence.



CNA CHECKPOINT NEAR THYSVILLE

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was routed at the Kasai-Katanga border by a numerically inferior Katangan force which may have been advised of Mobutu's move by sympathizers in the CNA. The Kasai debacle suggested, however, that one result of the CNA's taste of the good life was an indisposition to indulge in that kind of fighting which could lead to fatalities.

Meanwhile, some 2,000 troops moved south from Stanleyville, heavily encumbered with beer, concubines, and other battle gear. In Kindu, undisciplined units of the Stanleyville force killed and mutilated 13 Italian airmen. Some elements of the 2,000 reached northern Katanga, where they became involved in the massacre of 22 Roman Catholic missionaries.

**The Army and Gizenga**

With the establishment of a rump Congolese government in Stanleyville in January 1961, the erstwhile Force Publique was divided into three factions. In Elisabethville, Tshombé continued to build a Katangan army. In Leopoldville, General Mobutu--whose coup had forced Lumumba from office--maintained an uneasy hold over the largest single segment of the CNA. In Stanleyville, Gizenga was able for a time to command the loyalty of 3rd Group commander General Lundula, and through him to neutralize if not control the most unruly segment of the army.

In November 1961, elements of the Leopoldville and Stanleyville groups, operating virtually independently, initiated simultaneous moves into Katanga from Kasai and Orientale provinces. The invading Leopoldville force

Major CNA concentrations are now found in northern Katanga, in eastern Kasai, and in the Leopoldville area. Recently, General Lundula has become reconciled with Leopoldville and has sought without notable success to establish some degree of order in his command.

**Fundamental Problems**

The disintegration of the once-potent Force Publique was the result of various factors, including the Belgian failure to train Congolese officers, a prevailing view in the Congo that independence would bring the millenium, and a lack of national solidarity among tribally oriented Congolese soldiers. The deterioration has been accelerated by the unwillingness of either the central government or the UN to undertake major reforms, and by the failure of new leadership to emerge within the army.

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**CONGO NATIONAL ARMY T/O**

- 3 groupment headquarters
- 1 independent brigade headquarters
- 12 infantry battalions
- 5 gendarmerie battalions
- 2 commando battalions
- 2 paracommando battalions
- 2 harbor defense companies
- 3 field artillery batteries
- 2 antiaircraft batteries

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A typical CNA camp has been described by one US observer as dominated by various family and other nonmilitary pre-occupations, and accompanied by loudspeaker renditions of the cha-cha-cha into the night.

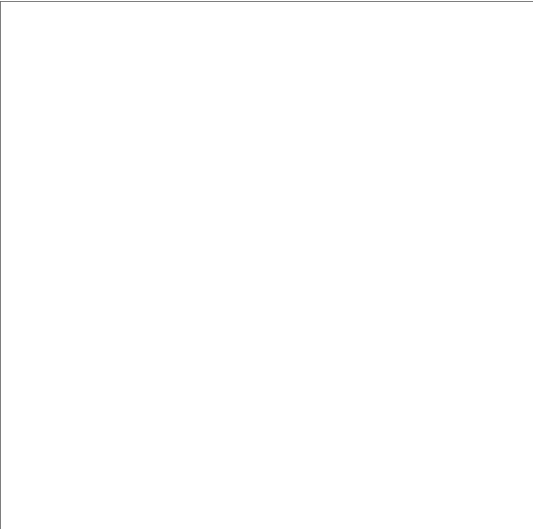
The problems involved in retraining the CNA are so formidable that little has been done. The UN--despite prodding by the US--has not worked out a retraining program. What foreign assistance is available has been provided largely by some 17 Belgian advisers, some of whom are survivors of the 1960 mutiny.

Prospects for Reorganization

Premier Adoula reportedly is convinced that in order to restore discipline and reduce the army's drain on the treasury, the CNA must be reduced from its present size--possibly as high as 29,000--to between 12,000 and 15,000. General

Mobutu, however, is disillusioned with his past failures to obtain UN assistance in reorganizing the CNA and apprehensive concerning the effects of any abrupt demobilization. He wants an army of around 24,000, arguing that if a force of this size was necessary before independence, it is necessary today. He discounts UN forces in the Congo, on the grounds that they cannot be counted on to end Katanga's secession.

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Although modest about his own capabilities, Mobutu appears confident of his ability to judge the temper of his troops; he reportedly seldom issues an order without first checking to see whether it will be obeyed. His conviction that he cannot initiate a radical reorganization without risking new disorders may have caused some strain in his relations with Adoula. In conversation with a UN official earlier this month, Adoula warned that if he were unable to reach an accommodation in his talks with Tshombé, he might request military assistance outside the UN framework from friendly African states.

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