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18 May 1962

CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 May 1962

T H E W E E K I N B R I E F
(Information as of 1200 EDT 17 May)

SOVIET FOREIGN POLICY DEVELOPMENTS Page 1

The USSR continued last week to manifest impatience and concern over the future course of Berlin negotiations. The Soviet press expressed further doubts about the West's desire for a peaceful settlement, and Khrushchev [redacted]

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[redacted] was quite worried about the present situation because he had lost confidence in the Americans. The USSR nevertheless has not threatened to break off the Berlin talks and has avoided setting a new deadline for a separate peace treaty with East Germany. Soviet propagandists continue to build a case for a resumption of nuclear tests. Khrushchev has reiterated earlier warnings that the USSR will resume testing because of the US resumption of atmospheric tests. [redacted]

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LAOS Page 2

Souvanna is returning to Laos next week, but it is doubtful that an early settlement among the three princes can be arranged. The military situation in northwestern Laos has stabilized; enemy forces have not pursued their advantage and apparently intend no action against Ban Houei Sai under the present circumstances. The position taken by the USSR in propaganda and in private diplomatic talks suggests that Moscow expects neither an early political settlement nor a serious deterioration in the military situation. [redacted]

CHINESE REFUGEE PROBLEM AT HONG KONG Page 4

The number of refugees crossing from South China to Hong Kong has sharply increased during the past week, and Peiping is making no effort to stem the flow. The British authorities are returning several thousand every day, but they believe the number cannot be reduced to manageable proportions unless the Chinese Communist authorities help. Meanwhile as thousands gather in the vicinity of the border, the British have become increasingly concerned over the possibility of an ugly incident. [redacted]

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SOUTH VIETNAM Page 6

The Viet Cong have stepped up sabotage of rail and road communications and have demonstrated an increased willingness to engage in combat with regular South Vietnamese army units. The government's airborne troops and airstrikes are apparently causing heavy casualties, but the Viet Cong's small-arms fire against helicopters is becoming more effective. [redacted]

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FRANCE-ALGERIA Page 7

The intensification of OAS terrorism in Algiers and Oran has forced Paris and the provisional Algerian government (PAG) to seek closer cooperation in implementing the cease-fire accords. Both sides agree on going ahead with the referendum now scheduled for 1 July. The PAG fears, however, that French reluctance to force a showdown with the OAS means that suppressing the OAS will be left to Algerian army elements--thereby enhancing the Algerian army's political role after the referendum.

[Redacted]

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INDONESIA Page 8

Indonesia's new military purchases from the USSR, which reportedly total \$70,000,000, are apparently intended both to convince the Dutch of the need to negotiate a peaceful transfer of West New Guinea and to improve Indonesia's capability for possible full-scale military action. The Hague has announced Indonesia's largest infiltration thus far, a paratroop drop of some 40 men on the southern coast on 15 May, and has sent land and naval units to the area. Indonesia has in effect rejected the Dutch qualified offer on 7 May to resume talks.

[Redacted]

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CONGO Page 9

Tshombé is ill and has indicated that he will not return to Leopoldville before 18 May. UN officials are discouraged over the lack of progress toward an agreement on Katangan reintegration; their efforts at mediation during the current recess in the Adoula-Tshombé talks appear only to have further emphasized the differences between the two sides. Adoula's political position remains precarious, and UN officials fear that extremists in the government may try again to seize Tshombé if he returns to Leopoldville.

[Redacted]

PORTUGAL Page 10

Salazar's mounting difficulties have been apparent in violent antiregime demonstrations on 1 and 8 May and in a widening breach between the government and university students following the police action against them on 11 May. The Communists are exploiting the situation, and further demonstrations are scheduled.

[Redacted]

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[Redacted] there are again reports of Salazar's early retirement.

[Redacted]

BRITISH NEGOTIATIONS WITH THE EEC Page 11

Little substantive progress appears to have been made at the ministerial meeting of 11-12 May toward an agreement on Britain's accession to the Common Market (EEC). The EEC ministers accepted Britain's plea that at least the broad outlines of such an agreement should be reached by late July, and an rigorous negotiating timetable now has been set. British officials are disappointed, however, with the restrained reception their specific trade proposals received. It appears that the political obstacles to Britain's entry remain more important than the economic ones.

[Redacted]

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DROUGHT IN THE BRAZILIAN NORTHEAST Page 12

The chronic poverty of Brazil's northeast--an area one third the size of the continental United States with a per capita annual income of about \$100--is being accentuated by drought and spreading food shortages. Since the beginning of May, thousands of peasants have invaded the towns, threatening to sack food stores, and in many instances violence has been forestalled only by the distribution of small emergency stocks. The government declared a state of emergency on 13 May. The Peasant Leagues, led by pro-Communist Francisco Juliao, are centered in the northeast and provide an organizational framework for Communist exploitation of the shortages. [redacted]

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PHILIPPINES Page 13

President Macapagal's decision to postpone his trip to the United States--although directly a reaction to the defeat of the war-claims bill in the US Congress--also reflects his problems with his own congress and his political opposition. He has only a tenuous majority in the lower house and faces an evenly divided Senate. With a program emphasizing economic progress and continued close relations with the US, Macapagal apparently viewed the defeat of the war-claims measure as potentially damaging to his personal position as a party and national leader. [redacted]

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PEIPING MOVES TO CURB INFLATION Page 14

Communist China has extended rationing in major cities to almost all consumer goods in an effort to curb inflation and speculation. Many other anti-inflationary measures have been instituted since last December, when continuing shortages of basic consumer goods caused prices to rise sharply. [redacted]

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USSR SETS UP TRANSPORT COORDINATION COMMITTEE Page 15

Khrushchev announced on 10 May the establishment of a transport coordination committee which is to be directly subordinate to the Presidium of the Council of Ministers. Soviet transport has long been impeded by such problems as poor scheduling, lack of coordination, and port congestion. [redacted]

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JAPANESE-SOVIET FISHERIES AGREEMENT Page 17

The seventh annual northwest Pacific fisheries agreement between Japan and the USSR reduces the Japanese salmon quota in the area covered by the convention by an additional 15 percent and establishes restrictions in a broad new area around Japan itself. Reaction in Japan has been unusually vehement, and the Ikeda government is expected to come under further criticism from fishery interests when the magnitude of its concessions to Moscow becomes fully known. [redacted]

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GHANA Page 18

President Nkrumah has been moving on several fronts to enhance his popularity, tighten his control of the government machinery, and develop a greater sense of national solidarity. He has clipped the wings of potential rivals within the regime, while making conciliatory gestures toward political opponents outside it. These moves seem aimed at accumulating political capital on which Nkrumah can draw if, as seems likely, he has to impose new economic austerity measures or formalizes the country's one-party system, as desired by some of his militant supporters.

[Redacted]

SPECIAL ARTICLES

YUGOSLAV-SOVIET RELATIONS Page 1

Yugoslav-Soviet state relations are improving. This is in line with Khrushchev's effort to enhance Moscow's standing with the nonaligned states and apparently reflects his indifference to the effect an improvement of relations with Tito might have on the Sino-Soviet dispute. Moscow may go so far as to restore Yugoslavia to observer status in the bloc's international economic organization (CEMA) and may even offer some developmental loans. The improvement in state relations has been brought about only by ignoring ideological disagreements so deep that Yugoslavia almost certainly will not rejoin the bloc in Tito's lifetime.

[Redacted]

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INDIA'S NORTHERN BORDER DEFENSE Page 6

Deficiencies in India's large military establishment have been a major impediment to New Delhi's efforts to check Chinese Communist border encroachments. The country's leaders have maintained a tough diplomatic line, hoping to gain time for further improvement in their military capabilities. In the meantime, while not compromising their policy of nonalignment, they have cautiously looked for external support and have sought to encourage Soviet "impartiality" in the Sino-Indian dispute.

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WEEKLY REVIEW

SOVIET FOREIGN POLICY DEVELOPMENTS

The USSR continued last week to manifest impatience and concern over the future course of Berlin negotiations. The Soviet press expressed further doubts about the West's desire for a peaceful settlement, and Khrushchev [redacted]

[redacted] was quite worried about the present situation because he had lost confidence in the Americans. An 11 May article by Izvestia's authoritative commentator on German and Berlin affairs, Polyanov, warned the West against allowing West German obstructionism to disrupt the "tender sprouts of understanding" which have developed in the US-Soviet talks. He renewed the attack on recent visits to West Berlin by Chancellor Adenauer and other West German leaders as attempts to frustrate a Berlin agreement.

Polyanov also restated Soviet criticisms of the US-proposed international access authority and objected to West German membership on its board of governors. He reaffirmed that the USSR and East Germany would not object to an international access organ provided its functions were confined to settling disputes arising from an access agreement with East Germany, but repeated the standard position that liquidation of the "occupation regime" and withdrawal of Western "occupation forces" are the prerequisites for the creation of such an organ.

Soviet propaganda maintained the drumfire against the West's alleged two-faced policy which has encouraged Adenauer's intransigence and denounced the NATO ministerial meeting in

Athens for clearing the way for equipping West German forces with nuclear weapons. In addition to Khrushchev's skeptical remarks about US policy [redacted] Foreign Minister Gromyko expressed doubts concerning US intentions generally during a talk on 8 May with the British ambassador on events in Laos.

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Despite these critical remarks, undoubtedly intended to reach American officials, Moscow's treatment of President Kennedy's press conference last week highlighted the President's remarks regarding US intentions to continue the Berlin talks. The omission of the President's comment that the US had never expressed high optimism about the talks reflected Soviet interest in keeping the negotiations alive.

Disarmament and Nuclear Testing

Moscow has continued its propaganda campaign to justify a resumption of Soviet atmospheric nuclear testing. It has kept the campaign well within bounds, however, and has stopped short of using it as a vehicle for vituperative anti-American statements.

Soviet comment on the 17th anniversary of V-E Day, including statements by Soviet military leaders, briefly and routinely took note of the US resumption of testing in the atmosphere, denouncing it as a measure aimed at increasing the nuclear arms race. In a Pravda article commemorating the anniversary, Marshal Malinovsky strongly hinted that the USSR also intends to resume soon when he

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said that, in view of the US resumption, "the Soviet people must institute the necessary measures to strengthen even further the defense of their state."

In his first public comment on the US resumption, Khrushchev told Western newsmen on 16 May during his tour of Varna, Bulgaria, "We are forced to renew our tests because, in spite of our appeals, the Americans did not refrain from renewing theirs."

Moscow has continued to report Soviet workers' meetings protesting the US action. These meetings are clearly intended to lay the groundwork for a Soviet resumption.

Other Soviet statements on the US resumption have warned that

the USSR will be forced to answer in kind with tests of "new types" of its nuclear weapons. In a speech last December Khrushchev claimed that the USSR, as a result of its tests in the fall, "obtained a mighty new weapon"--thermonuclear bombs with a power of 50 to 100 megatons and more.

At Geneva, Soviet delegate Zorin has refrained from bringing up the question of a recess since he announced at the 10 May session that he was willing to continue the negotiations "without a break." The neutralists have made it clear, however, that they want a recess, although for a shorter period than the two months Zorin suggested.

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LAOS

Souvanna Phouma, in France since early April, has announced his intention to return to Laos by the beginning of next week. This move is apparently in response to Vientiane's recent agreement to resume coalition talks based on the assignment of the key posts of defense and interior to Souvanna. Prior negotiations had foundered on Phoumi's insistence that the two ministries be held by Vientiane representatives.

Souvanna is not at all sanguine that an early settlement among the three princes can be arranged. He suspects that Phoumi will attempt to stall on a conference site and on conditions. Phoumi has already indicated that before any meeting he would require "firm assurances" that, in a coalition government, all important decisions of the interior and defense ministries would

be by unanimous agreement of the three princes, and that the separate military and administrative structures would remain intact until a suitable integration arrangement could be achieved.

Soviet propaganda on the Laotian crisis and the USSR's position in private diplomatic talks do not suggest that the Soviet leaders now contemplate any major Communist offensive in Laos to exploit the capture of Nam Tha or that they are seriously concerned about the possibility of US military intervention in Laos. Moscow is giving heavy publicity to the deployment of US forces in Thailand, charging that American "gunboat diplomacy" belies US pledges to seek a peaceful solution and stating that such a policy "cannot be conducive to a peaceful settlement." Soviet comment has avoided any

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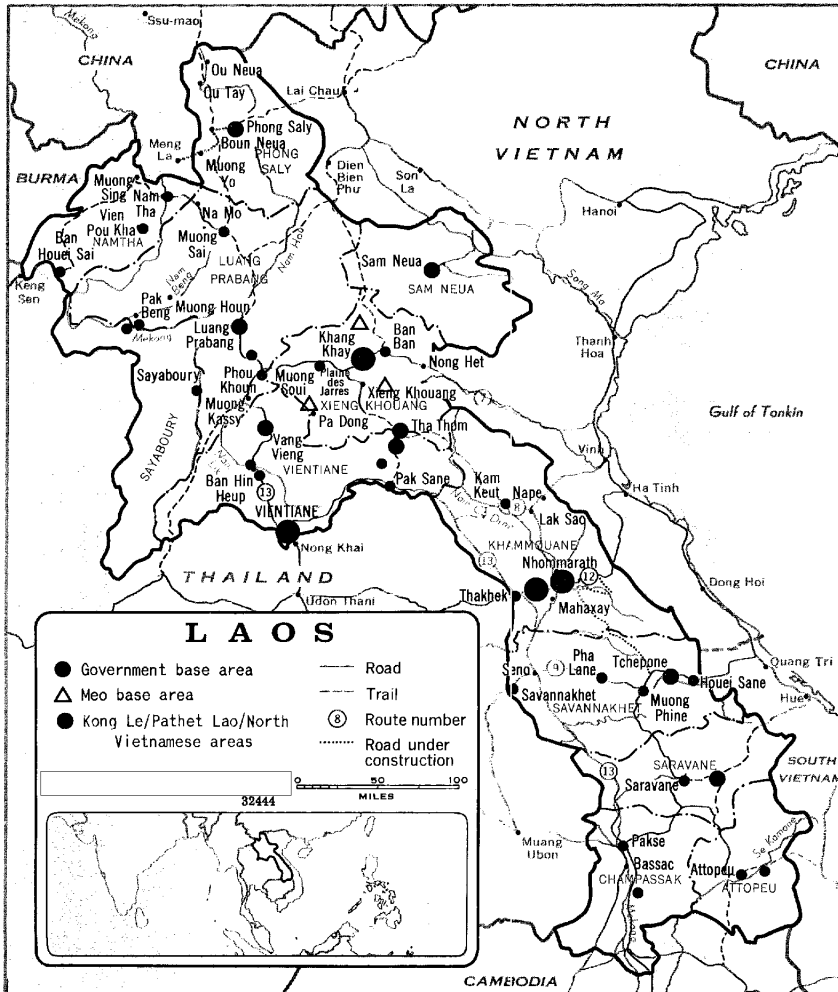
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threat of counteraction beyond standard expressions of support of "peace-loving people" for the Laotians.

The relatively complacent line taken by Soviet Ambassador Dobrynin in his 15 May talk with Secretary Rusk suggests that the USSR expects neither an early political settlement nor a serious deterioration of the military situation. He stated that there is no change in Soviet policy--which he said remains firmly based on the Vienna understanding between President Kennedy and Khrushchev supporting a neutral and independent Laos. He said Moscow favors the formation of a coalition government and

conclusion of a settlement based on the Geneva agreements as soon as possible. Dobrynin, however, repeated the skepticism regarding US intentions expressed earlier by Gromyko and Deputy Foreign Minister Kuznetsov by indicating doubt that the US has used all its influence with Phoumi. He said Moscow regards the deployment of US forces as a very serious step which can only aggravate the situation and warned that he did not know how the situation will develop if a settlement is not achieved soon.

Peiping was slow to react to Laotian developments since the fall of Nam Tha,



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providing its first independent comment in a People's Daily editorial of 16 May. The paper warned, "The Chinese people cannot remain indifferent to the threat of US intervention in Laos and to increasingly flagrant US collaboration with remnant Chiang Kai-shek brigands." This statement follows a pattern the Chinese have used before in hopes that raising the specter of Chinese intervention would forestall further US military moves in the area.

Throughout the Laotian crisis, Peiping had repeatedly intimated that Chinese Nationalist irregulars could provide a pretext for Chinese Communist military intervention. On 2 April 1961, Foreign Minister Chen Yi stated that if SEATO forces moved into Laos, the Chinese Communists would respond by sending in their own forces. In connection with this statement, Chen also cited the threat Nationalist irregulars allegedly posed for China's security.

In the 16 May commentary, People's Daily threatened no action more specific than height-

ened vigilance and made no reference to threats to the security of China.

Government forces--driven from Nam Tha on 6 May--withdrew across northwest Laos to the town of Ban Houei Sai on the Mekong River. The move from Nam Tha--characterized by poor leadership and a total organizational breakdown--once more provided firm evidence of the impotence of government forces when confronted by well-led and well-disciplined troops. The Pathet Lao - North Vietnamese forces apparently declined to exploit their military advantage at Ban Houei Sai; a recent ground reconnaissance to a distance of 15 miles east of the town did not reveal the presence of enemy troops.

General Phoumi, apparently discouraged regarding the chances of recovering northern Laos, has indicated that his main defense effort will be centered south of the Nam Ca Dinh River in central Laos. In northern Laos, such bases as Luang Prabang, Vientiane, and Sayaboury would be retained 25X1 as centers from which extensive guerrilla warfare operations would be conducted.

CHINESE REFUGEE PROBLEM AT HONG KONG

The number of refugees from South China to Hong Kong sharply increased during the past week, and Peiping is making no effort to stem the flow. In the past the Hong Kong police ordinarily arrested one or two hundred illegal border crossers a month. In the month of April the figure jumped to 1,500, and in the first two weeks of May, over 17,000 were apprehended--4,543 on 14 May alone. These figures include only those attempting to cross the 15-mile land frontier between China's Kwangtung Province and the British colony; large numbers are also attempting to come in by sea.

The Hong Kong authorities are sending back most of the

border crossers they apprehend, and as of 15 May the Chinese Communists were still accepting them. Many of the refugees, however, are remaining in the border area to try again. The size of the groups making the crossing is growing; the border guards had to use force to bring into custody a rowdy band of 2,500 refugees on 13 May. As thousands gather in the vicinity of the border the British authorities have become increasingly concerned over the possibility of an ugly incident.

It is as yet difficult to determine just why the bans on emigration have been lifted. Previously it had been hard to obtain exit permits from

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Communist China, but in April public security officials in Canton, Kwangtung's capital, were told to process as many permits as possible for persons wanting to emigrate to Hong Kong or nearby Portuguese Macao. They were told that the reason for the change in policy was the necessity of further reducing urban population and the undesirability of sending any more city residents to the countryside.

Most of the refugees are young adults from farming districts near Hong Kong. Interrogation of the refugees has disclosed that local Communist officials asked the refugees to remain in China but did not prevent their leaving. Observations at the border show that in many cases border guards actually helped the refugees to cross.

The about-face in Communist policy may stem from the realization that, in Kwangtung at least, there are too many mouths to feed and it is better to allow surplus population to be siphoned off, at least from those areas where Hong Kong presents a ready alternative. In addition, the officials may be chary of taxing their public security control apparatus by trying to stanch the flow, preferring to let the Hong Kong authorities bear the onus for this.

The refugees themselves give hunger as their reason for leaving; however, the British report that the majority appear in good health, although lean. This is the time of the year when food stocks throughout China are at their tightest; rations have reportedly been cut recently in some areas just to the east of Hong Kong which were particularly hard hit by weather last year. The harvest of early rice in Kwangtung is four to six weeks off, although some early vegetables are probably ripening now.

The responses of the refugees correspond with the answers given in a recent poll of Chinese students by the Hong Kong Government. Out of some 3,600 such students who were allowed by the Communists to visit relatives in Hong Kong during the Chinese New Year's vacation last February, about 3,100 have refused to return in the mainland. The principal reason given was hard living conditions in China. In the opinion of the US Consulate General in Hong Kong, the decision of such large numbers to abandon their mainland education represents a vote of no confidence by the students in the future prospects of the Peiping regime.

Under present circumstances, Hong Kong officials believe that they have no alternative but to return as many refugees as possible. Despite a prosperous economy, the colony is hard pressed to provide work for a growing labor force. Opportunities for resettlement of Chinese abroad are severely restricted. The government is spending 33 percent of its budget for social services. Out of a burgeoning population of over 3,000,000, an estimated 1,000,000 are refugees in need of some assistance.

A high government official has said the border situation is still under control, but the flow cannot be reduced to manageable proportions without help from the Communist authorities. He despaired of trying to build bigger and better fences to hold back the refugees unless such barriers are backed up by "the kind of force the Hong Kong government strongly desires not to use."

The British oppose any action that would irritate the Chinese Communists. They believe Chinese Nationalist efforts to expand the role of the UN High Commissioner for Refugees in Hong Kong are likely to aggravate the situation. Taiwan's interest in the refugees has been confined largely to exploitation for propaganda.

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SOUTH VIETNAM

The Viet Cong are maintaining a high level of activity. They have stepped up efforts to disrupt rail and road communications and demonstrated increased willingness to engage regular South Vietnamese units. Civil Guard and Self-Defense Corps posts, however, continue to be prime targets, and there have been several attacks recently against the government's land-development centers and construction projects, which are frequently defended by such forces.

Government troops continue to report heavy Viet Cong casualties and the destruction of Viet Cong installations as the result of airstrikes and operations by airborne troops. The Viet Cong are showing increased effectiveness with small arms fire against helicopters while they are landing or taking off in guerrilla-infested areas. Curtailment of rail traffic and the danger of road ambush are leading to further government reliance on air communications. During the past two weeks, one province in the Second Corps area was the scene of repeated bridge sabotage and a direct attack on a repair train; two train derailments in the First Corps zone resulted in one case in heavy casualties in a Civil Guard contingent which was being moved south.

There is little firm information on the extent of infiltration from North Vietnam. Evidence of military encampments along the Laotian - South Vietnamese border south of Route 9 has been reported, and a government force reportedly clashed with enemy troops in this area



on 8 May, killing five and capturing a submachine gun with three magazines of Chinese-made ammunition. Following low-level reports that a Viet Cong force of about 200 men crossed from Laos into the Kontum area of South Vietnam on 6 May, a South Vietnamese regular army patrol on 7 May reported sighting such a force, armed with six mortars, recoilless rifles, and light weapons. These sightings were near known infiltration routes and may indicate reinforcement of existing Viet Cong units with personnel and heavy weapons from North Vietnam.

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FRANCE-ALGERIA

The intensification of terrorism by the Secret Army Organization (OAS) in Algiers and Oran has forced Paris and the provisional Algerian government (PAG) to seek closer cooperation in implementing the cease-fire accords. Both sides agree on going ahead with the referendum scheduled for 1 July. The PAG fears, however, that the French reluctance to force a showdown with the OAS means that suppressing the organization will be left to the Algerian National Army (ALN)--thereby enhancing that element's political role after the referendum.

Both French and PAG authorities recognize that the terrorism will probably not be stopped by 1 July. About 300, or 70 percent, of the "professional" OAS terrorists in the Algiers region have been arrested, [redacted]

[redacted] but terrorism continues to increase. The "professionals" have been replaced by youths who have been encouraged in disrespect for law by their environment in recent years. They have no police records, however, and their age limits police efforts to cope with them as a group. Efforts are under way to handle this problem by having the government draft all males between 18 and 25 years old in Algiers and Oran.

High Commissioner Fouchet is reportedly resigned to continued opposition to the Evian accords from the European population in Algeria. The government's determination to proceed with the referendum is nevertheless evident in reports that the small staff under Minister for Algerian Affairs Joxe is concentrating on the mechanics of setting it up. Increasingly tough measures to curb terrorism are being implemented, but short of an all-out military subsection of Algiers and Oran, which responsible authorities

are loath to push, voting may not be possible in those cities. Joxe and President Fares of the Provisional Executive agree that a massive pro-independence vote will be forthcoming from the rest of Algeria. Two weeks after the referendum, there will be elections for a new Algerian administration, thus permitting the French to transfer power immediately thereafter.

[redacted]

the OAS goal was still to goad Moslems into retaliating against the Europeans. [redacted] 25X1

[redacted] the ultimate objective was less to take over Algeria than to show that De Gaulle was unable to enforce his Algerian program. While there is some evidence that the OAS may still see a partition as an acceptable solution, the recent activities of ex-colonel Argoud in contacting French forces in Germany point to the broader goal. Eight officers have been arrested and more than twenty others, including two generals, are being removed from the active list as a result of Argoud's attempt to win their support.

Members of the Algerian National Revolutionary Council (CNRA) are assembling in Tunis in preparation for a meeting, presumably next week in Tripoli. [redacted] 25X1 25X1

[redacted]

Ben Bella and the ALN will not be able to dominate the forthcoming meeting. They may succeed in forcing the dismissal of some PAG ministers, however, and may force the moderate PAG members to defend their policy of cooperation with the French. While no major reorganization is in prospect now, Ben Bella's influence on the policies of the nationalist movement will become more apparent when it becomes a political party in an independent Algeria. [redacted] 25X1

[redacted] 25X1

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

The new military aid agreement, reportedly totaling \$70,000,000, which Indonesian Foreign Minister Subandrio concluded with the Soviet Union on 8 May is said to provide for the supply of additional Soviet aircraft, submarines, and surface-to-air missiles. While granting additional aid to Indonesia, the USSR refused a moratorium on Indonesian payments due under extensive agreements negotiated in 1960 and 1961.

Sukarno and Subandrio have explained the purchases as necessary "to face all eventualities" in the West New Guinea dispute. These purchases are apparently intended both to improve Indonesia's military capability for a possible full-scale resort to force and to persuade the Dutch to negotiate a peaceful transfer of West New Guinea.

The Hague has announced an Indonesian paratroop drop of about 40 men on 15 May on the south coast of West New Guinea. The Dutch have dispatched infantry, marines, and naval units to the area in a move to seal off the infiltrators. They report that most of the approximately 45 paratroopers dropped on 26 April in the same area have been captured, and most of the 190 men who landed by sea in small groups at various locations on the coast and offshore islands in March have been captured or killed.

Subandrio has essentially rejected Dutch Foreign Minister Luns' offer of 7 May to resume talks. Luns' note had warned that Dutch readiness to discuss the Bunker proposals did not mean willingness to hand over West New Guinea, and he insisted that either side have the right to add to the agenda any subject it deemed relevant. Subandrio told Ambassador Jones on 15 May that he did not feel the Dutch were willing to nego-

tiate in good faith and that he could not agree that Luns' statement amounted to acceptance of the Bunker plan.

Subandrio said that Indonesian information indicated that the Dutch feel time is on their side and are not interested in reaching an agreement. He said the Indonesians were willing to resume talks but that, in view of the Dutch attitude, it is better not to do so now.

A Dutch Foreign Ministry official informed the US Embassy on 11 May that the cabinet would probably adopt a more liberal position on the Bunker proposals than that taken by Luns in his recent talks with Secretary Rusk. The cabinet was less insistent than Luns on an early plebiscite on New Guinea's self-determination and was prepared to accept any reasonably honest Indonesian offer in this connection "if talks could be gotten under way." The official saw no prospect of a cabinet change over the West New Guinea issue, but said the government might fall on some minor domestic question. The opposition Labor party continues to press for a peaceful solution of the dispute on almost any terms, but, [redacted] 25X1

[redacted] 25X1
Dutch public reaction to Subandrio's trip to Moscow may make the party more circumspect in its hostility to Luns.

The first contingent of 865 Dutch troop reinforcements is scheduled to arrive in West New Guinea on 27 May. The second increment of 880 men sailed on 4 May. The remaining 900 men of the 2,650 total planned army reinforcements may be flown to Curacao and be picked up there by ship. With their arrival, all 1,700 marines in New Guinea will be relieved of garrison duty and will be organized into mobile units which can be deployed at short notice against Indonesian infiltrators. [redacted] 25X1

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CONGO

Tshombé has indicated that he is ill and will not be returning to Leopoldville before 18 May; UN officials confirm that he is suffering from a lung infection. UN authorities are

REPUBLIC OF THE CONGO



continued to demand a loose Congo confederation, and urged that Katanga be integrated by gradual stages until such time as a new constitution can be agreed upon for the whole country. Adoula "exploded" on hearing the response and characterized Tshombé's position as totally unacceptable.

Gardiner believes that unless Katanga is granted some form of special status during the transitional period, Tshombé may be overthrown by an extremist such as Munongo or Kibwe. Gardiner claims the only matters of real importance during a transitional period are the status of the Katangan army, the collection and distribution of revenues, and the use of Katangan currency. In Leopoldville, however, Adoula's own position is precarious as a result of his inability to bring Tshombé to heel. Moreover, UN officials fear that extremists in the central government may try again to seize Tshombé if he returns to Leopoldville.

discouraged over the lack of progress toward an agreement on Katangan reintegration. Their efforts at mediation during the current recess in the Adoula-Tshombé talks appear only to have further emphasized the differences between the two sides. U Thant foresees little progress when negotiations are resumed and fears a stormy breakdown.

Before the recess Adoula gave Tshombé a draft agreement for consideration, and on 6 May Tshombé presented his counter-proposals to UN representative Gardiner. The Katangan leader

On 12 May, Leopoldville Interior Minister Kamitatu declared a state of emergency in Kivu, where provincial president Miruho was removed from office following a vote of censure in the provincial assembly on 8 May. The Adoula government, whose authority in that province is tenuous, has sent a three-man commission to Bakavu to assess the situation. Unrest has been endemic in Kivu, in part as a result of economic stagnation and residual anti-Leopoldville sentiment dating from the time of Gizenga's ascendancy in the area.

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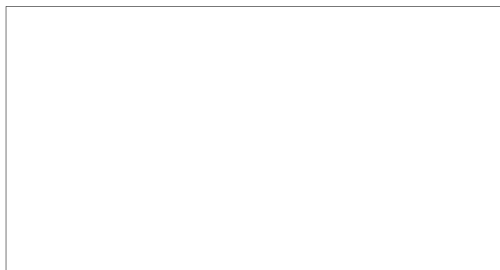
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PORTUGAL

Salazar's mounting difficulties are apparent in violent antiregime demonstrations on 1 and 8 May and in a widening breach between the government and the university students following the police action against them on 11 May. The Communists continue to exploit the situation effectively.

The Communists seem to have played an important part in organizing the early May demonstrations, which primarily involved workers. The disturbances on 11 May occurred when the police invaded the campus of Lisbon University to break up a hunger strike by students demanding more autonomy in university affairs. Following the detainment of several hundred students and their supporters--most of whom were subsequently released--a group of 250 intellectuals issued statements of solidarity with the students, and a large student protest meeting was held on 14 May. Students at Coimbra University are similarly at odds with the government.

There is evidence of increasing dissatisfaction and some confusion among those who normally support the regime. The government's handling of the student strike was strongly criticized to US Ambassador Elbrick by Dr. Marcelo Caetano, a former minister of the presidency and rector of Lisbon University until his protest resignation a few weeks ago. The embassy comments that student elements may join the political opposition in a demonstration planned for 18 May. Still other demonstrations are reportedly planned for this month.



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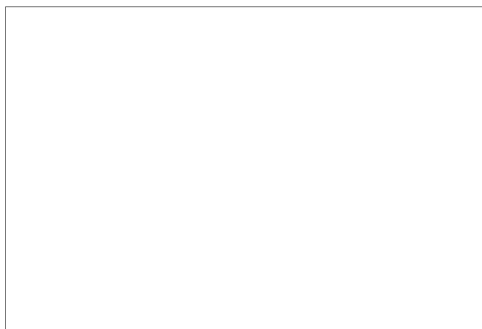
Salazar recovered from a serious illness in January 1959, but his health could be a plausible pretext for retirement.

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young Overseas Minister Adriano Moreira to be the armed forces' choice to replace Salazar. Moreira has made special efforts to cultivate the military, and on 11 May he made a major address at a student leaders' convention where he was introduced as "one in whom this present generation has confidence."



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it might be necessary to select some compromise figure as his successor--for example, former President Marshal Craveiro Lopes. Other possible successors--all basically conservatives--include Caetano, Theotonio Pereira, ambassador to the US, and Foreign Affairs Minister Alberto Nogueira.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

BRITISH NEGOTIATIONS WITH THE EEC

Despite a generally friendly atmosphere, little substantive progress appears to have been made at the ministerial meeting of 11-12 May toward an agreement on Britain's accession to the Common Market (EEC). The EEC ministers accepted Britain's pleas that at least the broad outlines of such an agreement should be reached by late July, however, and a rigorous negotiating timetable now has been set.

Of the proposals made by the British, the most specific was that the UK apply the EEC's common external tariff to imports of Canadian, Australian, and New Zealand manufactures in three successive stages beginning in 1965 and becoming fully effective--with some exceptions--by 1969. This proposal is a concession in principle by the British and was welcomed as such by the EEC. However, the EEC expressed its considerable reservations by questioning whether this approach by rather lengthy stages need apply to all manufactured items or only to selected ones, and whether in view of the accelerated tariff reductions within the EEC, the transitional period requested by London is not too long.

On the question of Commonwealth exports of temperate-zone farm products, which many observers consider the most difficult Commonwealth issue, the UK presentation was considerably more vague. The formula would apparently guarantee Commonwealth exporters outlets in the enlarged EEC for their farm exports comparable to those they now enjoy until such time as worldwide farm commodity stabilization agreements can be negotiated. This formula is in line with current thinking in the EEC, but the key issue remains the setting of firm dates when the guarantees to the Commonwealth would expire. If Commonwealth suppliers are assured of comparable outlets

in perpetuity, then they are under no great constraint to assist in finding alternative arrangements.

A similar reluctance to come to grips with basic issues was evident in the discussion of other Commonwealth-related issues. The British pressed hard for some EEC response to London's proposals for low tariffs or no tariff at all on certain items, but the EEC stressed the domestic producing interests involved and the difficulty of deciding what tariffs should be adjusted until it is certain how large the EEC will be. Although agreeing in principle that guarantees are needed for the continuing export of Indian and Pakistani textiles, the EEC also requested more time to study the matter and was wary of offering any such guarantees to Hong Kong. Concerning the extension of EEC association to African members of the Commonwealth, the six merely said they would have to discuss "criteria" for acceptable association candidates.

There was no reflection in the discussion of these issues of the recent political developments related to Britain's Common Market entry. [redacted]

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[redacted] contrary to press reports that Adenauer now opposes UK membership, Bonn's support has not changed. The French played no active role at the meeting and "made no trouble."

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[redacted] even if Paris intends to blackball the UK, it will hesitate to be "too aggressive" in seeming to do so. British officials, however, are disappointed with the restrained reception their specific trade proposals received, and it appears that the political obstacles to Britain's entry remain more important than the economic ones. [redacted]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

DROUGHT IN THE BRAZILIAN NORTHEAST

The Brazilian Government has declared a state of emergency in the country's northeastern states as a result of food shortages caused by drought. Since the beginning of May thousands of peasant families have invaded towns, threatening to sack food stores. In many instances violence has been forestalled only by the distribution of small emergency stocks.

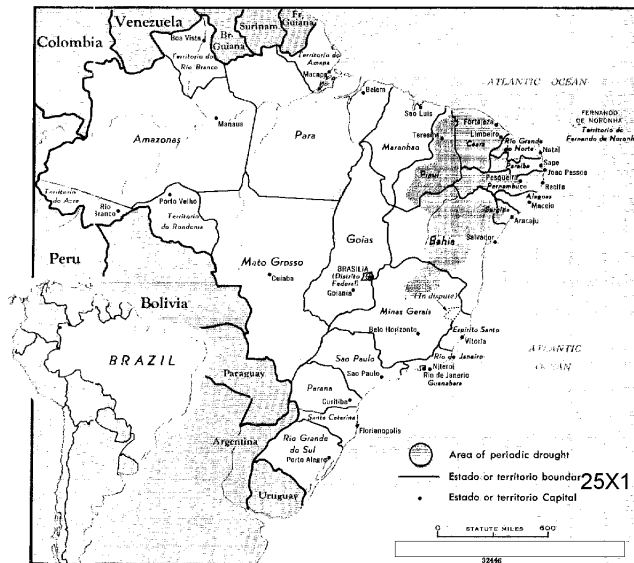
This drought area, about one third the size of the continental United States, is one of chronic poverty, with a per capita annual income of about \$100. The droughts have been recognized as a national problem for over 60 years; that of 1915-18 caused 30,000 deaths. The Brazilian constitution allocates 3 percent of all federal tax revenues for antidrought measures. Past steps have been largely temporary and piecemeal, but the government recently established SUDENE, a federal agency for comprehensive economic development of the northeast. In December 1961 the organization received congressional approval of the first year of its long-range plan.

Even before the onset of the present drought, prices for food were rising rapidly throughout the northeastern states. The cost of living rose 70 percent in the area during 1961, in comparison with an approximate 40-percent rise in southern Brazil. Some staples doubled in cost during the year. Over the past four months, as drought has been spreading in the northeast, two prime staples--manioc flour and beans--have increased in price by 500 and 250 percent respectively. Wages have remained almost static, however, with money extremely tight and investment low.

The federal government on 13 May agreed to purchase large quantities of food for distribution, and the US released in two northeastern cities 8,000 tons of corn stored under the Food for Peace program. SUDENE

on 15 May adopted an emergency program of public works and, with the cooperation of the air force, organized the distribution of food. Officials in Pernambuco, where demonstrations have been most widespread, have charged that many persons are hoarding and illegally transporting stocks of basic foods and have threatened to seize all such stocks.

The Peasant Leagues, led by pro-Communist Francisco Juliao, are centered in the northeast and provide an organ-



izational framework for Communist exploitation of the shortages. There are 80 to 100 of these groups throughout the area, with a total membership of 60,000-80,000. They profess to defend the rights of the rural workers and are already politically aroused over the assassination of a key league leader in Paraiba State in early April. As a result of plans for demonstrations in Paraiba, army troops have been deployed throughout much of the northeast.

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

President Macapagal's decision to postpone his trip to the United States--although directly a reaction to the defeat of the \$73,000,000 Philippine war claims bill in the US Congress--also reflects his problems with his own congress and his political opposition. Although he has been in office since 30 December, Macapagal still has not consolidated his position as the nation's leader.

Macapagal was elected by a sizable popular majority on a reform program. On assuming the presidency, he had to deal with an opposition Nacionalista majority in both houses of Congress which has delayed action on his program. In early March, Macapagal's Liberal party, with the assistance of a substantial number of disaffected Nacionalistas, succeeded in installing a Liberal party member as speaker of the lower House. The new "Allied Majority" has passed most of the President's important economic measures. The new grouping, however, is unwieldy and unreliable, and the administration's program continues to play a poor second to congressional preoccupation with House organization.

The 24-member Senate, evenly divided between 12 Liberals and an alliance of 11 Nacionalistas and one Nationalist-Citizens party member, is still under Nacionalista leadership. The President's relations with it are correspondingly poor, and it remains a potential obstacle to the realization of his policies.

With a program emphasizing economic progress and continued close relations with the United States, Macapagal apparently looked to the war damage bill--an addition to postwar payments of \$400,000,000--as at least one objective he could regard with confidence. The defeat of the measure has the potential of damaging Macapagal's personal position as a party and national leader.

Purely popular reaction to the defeat amounts to an exaggerated feeling of injured national pride. The President probably accurately expressed the general view when he said that US action had damaged the "unique relationship" between the Philippines and the United States which has been based on "mutual respect, friendship, and honor."

In an effort to prevent the erosion of his own political strength, Macapagal not only has postponed his official trip to the US--originally set for mid-June--but has also changed Philippine independence day from 4 to 12 July and has even spoken of a future Philippine posture of neutralism.

It is unlikely that Macapagal will reschedule his US trip in the near future even if the bill is passed; passage, however, would probably speedily salve the country's wounded pride. Failure to pass the bill will maintain the issue as a chronic irritant in US-Philippine relations and seriously complicate Macapagal's domestic problems.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

PEIPING MOVES TO CURB INFLATION

Rationing--heretofore applied only to basic foodstuffs and cotton cloth--has been extended to almost all consumer goods in major cities in Communist China. Some 50 items--including watches, bicycles, razors, kitchen utensils, umbrellas, and matches--now are sold only against coupons issued on the basis of individual monthly wages. The new system, started in Shanghai as early as January, went into effect somewhat later in Tientsin and Wuhan, and was not introduced in Peiping until late April. It has not been mentioned in the official press.

In Tientsin in February, a resident earning 50 yuan received five coupons, or one for each ten yuan of his monthly income. In Shanghai and some cities in Chekiang, each person reportedly receives one coupon for each eight yuan of his monthly income. Different products require in addition to their regular cash price a specific number of coupons--for example, 8 for a thermos, 50 for a locally made watch, 200 for a bicycle. In practice, coupon values are adjusted by authorities according to local changes in supplies or demand.

Persons with many coupons complain that the goods they want are unavailable, while others with few coupons seem to find the system better than the former first-come first-served basis. Black markets have reappeared, although offenders here are subject to punitive action.

Inflationary pressures have been an increasing problem for the regime. In early 1961, acute shortages of farm products and light industrial items forced the regime as an incentive measure to permit urban and rural free markets and to increase state purchase prices for agricultural products. With this easing of control in the state pricing system, the inflationary pressure generated by acute shortages of basic consumer goods was inevitably reflected in the general price level.

Moves toward controlling rising prices of basic consumer goods were discernible last December when the press advocated resumption of price controls in rural free markets. As of April, the regime had transferred many urban workers to the countryside in order to reduce urban payrolls; curtailed agricultural and industrial loans to force farm organizations to raise their own working capital; imposed controls on prices and marketing procedures at rural free markets; and closed free markets in several cities, notably Shanghai.

Clearly, the regime has the authority and the means to control inflation by enforcing price controls, marketing restrictions, and rationing, and by punishing black-marketeers. However, Peiping's problem is to steer a course between allowing peasants to earn more cash income as an incentive to production and yet keep the cost of living for urban residents within manageable bounds.

(Prepared by ORR)

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****USSR SETS UP TRANSPORT COORDINATION COMMITTEE**

Khrushchev announced on 10 May the establishment of a Transport Coordination Committee to be directly subordinate to the Presidium of the Council of Ministers. Soviet transport has long been impeded by such problems as poor scheduling, lack of coordination, and port congestion. Any improvement in efficiency would be felt throughout the civilian economy and would also support the military in its contingency planning.

In his first major speech on the subject of transport since the industrial reorganization in 1957, Khrushchev explained to a conference of railway workers the need for the new committee. He cited such incidents as the return to the USSR empty of a ship which had carried cargo to Cuba because of a lack of coordination between the Ministry of Maritime Transport and the Ministry of Foreign Trade. He pointed out that in 1961 an average of 15,000 freight cars per day were idle on railroads adjacent to frontiers and ports. He urged that industrial railroad sidings be turned over to the Ministry of Railroads in order to reduce staff and costs.

While such transport problems have been chronic in the Soviet Union, they have become more acute because of sharp increases in foreign trade. Soviet seaborne trade has more than doubled since 1956, and total value of foreign trade in 1961 almost reached the level envisaged for 1965 under the Seven-Year Plan (1959-65). The volume of cargo handled by Soviet ports has increased by close to two thirds since 1956. Soviet port officials complain that capital investment in pier frontage, warehouse space, and bunkering facilities has not kept up with investment in new ships.

Port congestion in 1961 resulted in costly time losses by Soviet and foreign ships and the railroads. Lack of

UNCLASSIFIED
STATISTICS ON SOVIET DOMESTIC TRANSPORTATION
(billion ton-miles)

	1950	1961	1965 Plan
Railroad	488.6	1072.6	1232.9 - 1267.1
Highway	13.8	19.9	100.0
River	31.6	72.6	95.9
Sea	27.2	108.2	161.0
Petroleum Pipelines	3.4	41.1	126.7
Air	1.0	5.5	NA

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

coordination between the Foreign Trade, Maritime Transport, and Rail Transport ministries has meant that ports receive freight for which no ships have been ordered, and conversely, that ships arrive with unplanned cargo which must be stored rather than transloaded directly from ship to railroad.

Cargo-handling problems at ports are complicated by the changing nature of the freight. The share of general cargo which requires a high proportion of manual labor,

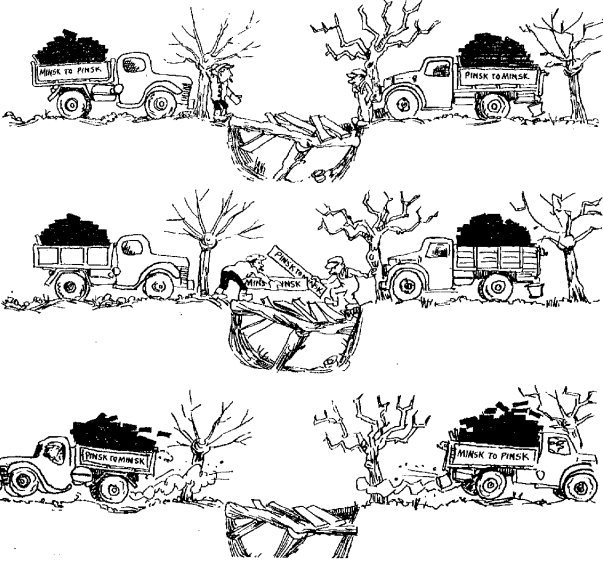
such as machinery, has been increasing, while that of bulk cargo has been decreasing. Instead of increasing the number of stevedores, port officials have been stressing the acquisition of new cargo-handling equipment, much of it designed for bulk cargoes.

Transport problems have affected the internal economy as well. The problem of cross-hauling apparently was not solved by the subordination of industry to regional administration in 1957. In his speech, Khrushchev pointed out that "some goods are being transported from Odessa to Vladivostok, while the same goods are being transported from Vladivostok to Odessa." There are also seasonal problems. Freight cars lie idle in some areas when they are desperately needed for the grain harvest in others.

The new Transport Committee is apparently superior to the ministries and probably comparable in authority to the Commissions for Foreign Economic Problems and for Cost, which are also directly subordinate to the Presidium of the Council of Ministers. Some 80 percent of Soviet freight moves by rail, and the minister of railroad transport will head the new committee. 25X1

(Prepared by ORR)

"CROSS-HAULING" PERENNIAL SOVIET PROBLEM UNSOLVED
(From Krokodil, March 1957)

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CURRENT INTELLIGENCE WEEKLY SUMMARY

JAPANESE-SOVIET FISHERIES AGREEMENT

The seventh annual north-west Pacific fisheries agreement between Japan and the USSR, signed in Moscow on 9 May, reduces the Japanese salmon quota in the existing convention area an additional 15 percent to 55,000 tons, while continuing in force previously established zones in which Japanese salmon operations are totally banned. Also as a result of Soviet pressure, the pact establishes restrictions on Japanese salmon fishing in a broad new area to the south, in waters around Japan itself. This agreement, together with the Japan-US-Canada tripartite Pacific fisheries convention, brings all Japanese salmon-fishing operations under international control.

The negotiations, which had dragged on for two and a half months, were quickly brought to conclusion following the arrival in Moscow on 3 May of Japan's minister of agriculture and forestry, Ichiro Kono.

Japanese resistance to Soviet demands for a southward extension of the restricted area crumbled after Kono met with Premier Khrushchev, Deputy Premier Mikoyan, and State Planning Fisheries Chief Ishkov. The Japanese salmon quota in the newly established zone has been set at 60,000 tons, a 10,000-ton cutback from Japan's self-imposed quota in 1961, and the USSR has obtained the right to place inspectors aboard Japanese patrol vessels to verify compliance.

Executives of the Japanese fishing industry who accompanied Kono reportedly have offered to purchase for cash the entire Soviet salmon and crab catch in the convention areas--crab and herring operations also are controlled by the agreement. The Japanese presumably believe they can resell the Soviet catch in foreign markets at a profit. Soviet officials have agreed in principle to sell quantities valued at approximately \$15,000,000, but the Japanese doubt the transaction could reach this level.

Although both sides early in the negotiations readily acknowledged a decline of salmon resources in the western Pacific, reaction with the Japanese fishing industry has been unusually vehement against what it regards as a "breach of faith" by Kono. Closely identified politically and financially with fishery interests, Kono had conveyed the impression he would stand firm against Soviet pressures. Land-based fishermen on the islands of Hokkaido and northern Honshu, as opposed to mother-ship fleets engaged in high-seas operations, are particularly hard hit by this agreement. In the opinion of a senior official of the Japanese Foreign Ministry, the Ikeda government probably will come under increasingly severe criticism as the Japanese industry and press study the agreement and become aware of the magnitude of the concessions made by Japan.

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SOVIET AND JAPANESE SALMON QUOTAS
(metric tons)

Quotas for Japanese salmon fishing in the northwest Pacific are set annually by the Japan-USSR Fisheries Commission. Soviet quotas, on the other hand, are announced informally and unilaterally by the USSR.

	JAPAN	USSR
1956	65,000	Not announced
1957	120,000	140,000
1958	110,000	120,000
1959	85,000	95,000
1960	67,500	70,000
1961	65,000	80,000
1962	55,000	Not announced

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GHANA

Recent gestures of conciliation by President Nkrumah toward some of his domestic opponents appear to have been motivated largely by a desire to enhance his popularity and Ghana's image abroad and to promote national solidarity. They could presage new austerity measures necessitated by the country's deteriorating financial situation, or early steps to formalize the de facto one-party system. The new program of Nkrumah's Convention People's party (CPP) emphasizes the need for sacrifices by all Ghanaians if economic goals are to be attained and endorses the one-party state as "the best answer for government in Africa." A referendum reportedly is being planned to register popular approval for such a system.

Nkrumah has released some 160 of the several hundred persons imprisoned without trial since 1958 under the Preventive Detention Act. Apparently none of those freed, however, were members of the opposition United party (UP). He has also proclaimed a general amnesty applicable, with "one or two" exceptions, to persons who have fled the country, and has indicated that planned amendments stiffening the detention law would be modified.

The exiles, most of whom reside in Togo, appear wary of Nkrumah's overtures. The most prominent political refugee, moderate former finance minister Gbedemah, reportedly dismissed them as "a political trick" designed to increase Nkrumah's prestige and neutralize the opposition.

Meanwhile, Nkrumah has over the past two months significantly tightened his personal authority and direct control over the regime. In addition to engineering the downfall of his popular former minister of industries, Krobo Edusei, Nkrumah has deprived another potential rival, leftist labor leader John Tettegah, of operational control over the important Ghanaian Trades Union Congress (TUC). Tettegah remains titular head of the TUC, but responsibility for its internal affairs has been assigned to a person whose background and loyalties are more closely tied to the CPP and the President's Office. Nkrumah clearly intends to keep the unions, which he has distrusted since the strikes last fall, on a tighter rein while making the TUC more than ever an instrument of government policy.

The strengthening of presidential control and whittling down of the authority of ministries and politicians is apparent in the recent announcement that Nkrumah had decided to install "expeditors" or "positive actionists" in all departments of the state to ensure prompt carrying out of his decisions. Another pending administrative change will bring still more of Ghana's machinery for conducting foreign 25X1 affairs under the direct supervision of the President's Office.

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SPECIAL ARTICLES

YUGOSLAV-SOVIET RELATIONS

Yugoslav-Soviet state relations have been gradually improving since the fall of 1960, when Khrushchev and Tito met several times at the UN session in New York. This trend has been marked by the visit to Moscow in January 1961 of Yugoslav troubleshooter Vukmanovic-Tempo, Yugoslavia's subsequent signature of five-year trade agreements with the USSR and the European satellites, a visit to the USSR by Yugoslav Foreign Minister Popovic last July, and a return visit by Gromyko this April. Belgrade has recently acquired Soviet military equipment for the first time since 1948, and Soviet technicians are expected in Yugoslavia momentarily to help expand a steel mill.

Khrushchev's return to a policy of repairing Soviet relations with Yugoslavia is consistent with his continuous efforts to eliminate the more unproductive aspects of Stalin's legacy. In addition, it is in line with his foreign policy toward the West in demonstrating Soviet willingness to "coexist" with all states, no matter what areas of disagreement may concurrently exist. It is also designed to encourage the non-aligned states to be more responsive in their attitudes toward the USSR.

Background

Khrushchev was forced to shelve his policy of reintegrating Yugoslavia following the events in Eastern Europe during 1956, when pressures for greater freedom from Moscow's control, particularly in Hungary and Poland, threatened to destroy the bloc. Khrushchev did not, however, return to

the policies and tactics of the Stalin era, but attempted only to isolate the virus of Yugoslav "revisionism" while trying to reconstitute the bloc on a new and more stable basis.

In late 1957 and early 1958, the bloc, with Communist China in the vanguard, began to pressure Yugoslavia toward the choice of either losing all status and privileges of close association with the Communist bloc or acquiescing in the responsibilities and discipline which such membership entailed. Belgrade chose independence. In November 1957, Tito feigned illness to order to avoid attending a conclave of Communist parties; his alternates, party secretaries Rankovic and Kardelj, refused to sign the declaration, which restricted the freedom of the individual parties. Five months later Belgrade emphasized its independence at its own party congress by adopting a program which set down in categorical fashion Yugoslavia's ideological differences with Moscow.

By late 1960, Soviet control over Eastern Europe had been reconsolidated, and Khrushchev was anticipating a reactivation of contacts with the West in order to measure the new US administration. At the same time, the left wing of international Communism, led by Peiping, had begun to challenge the USSR. Khrushchev had to move gradually lest his dealings with Tito give substance to Chinese charges of Soviet "revisionism." Khrushchev probably calculated that there was no longer much possibility of reconciling his differences with the left wing

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and, therefore, was not concerned that his improved relations with Tito would make such a reconciliation more remote.

State Relations

When Yugoslavia refused to submit to Moscow's discipline in 1958, the bloc ceased granting the Yugoslav state preferred treatment. In May of that year, all bloc developmental loans were canceled, and the Yugoslavs were no longer invited to meetings of the bloc's international economic organization (CEMA), in which Belgrade had observer status. Nevertheless, normal state functions were maintained, trade continued, and cultural, scientific, and trade union delegations moved back and forth, if with decreased regularity.

Communist China and Albania, however, found common ground in a violent anti-Yugoslav policy. As a result, respective diplomatic missions were eventually left in the hands of chargés, and Yugoslavia's trade with these countries dwindled to virtually nothing. Yugoslav-Albanian relations became particularly tense by late 1960, with border incidents and publicized spy trials.

Tito, in an effort to prevent this situation from leading again to Yugoslavia's complete political and economic isolation from the bloc, argued that ideological differences should not harm interstate relations. Belgrade's half-hearted efforts to build up relations with the West had proven only partially satisfactory. In 1959, Yugoslavia refused to provide information on intended use of US military equipment under negotiation, and US military aid to Yugoslavia was terminated at Belgrade's request.

Tito's primary effort was devoted to developing his ties with the nonaligned states, whose number was rapidly increasing. He hoped that by again identifying with these states, he could secure markets

for Yugoslavia's growing industry, enhance the importance of Yugoslavia's voice in international affairs, and proselytize his own brand of Communism.

In late 1958 Tito undertook his first of several visits to numerous uncommitted states. He succeeded in assuming a position of leadership in this group, as illustrated by the convocation in Belgrade of a conference of heads of state from the nonaligned countries in September 1961. In this position, the Yugoslavs view themselves as competitors of both the East and West and do not hesitate to criticize either.

By the time of the UN session in September 1960--when Tito and Khrushchev met for the first time since 1957--Khrushchev had apparently decided that improved relations with Tito could be turned to Soviet advantage. Tito had, despite his differences with Moscow, continued to agree with Soviet foreign policies on almost all issues not directly affecting Yugoslav national interests or those of another nonaligned state. In addition, Belgrade had by this time made abundantly clear its violent opposition to the policies of the Chinese Communists, who were challenging the USSR for influence in Asia, Africa, and Latin America. Khrushchev's decision paid off in September 1961, when at the Belgrade conference Tito defended the Soviet resumption of nuclear testing and Khrushchev's aggressive German policy.

The marked similarities in Yugoslav and Soviet foreign policies result in part from a common Marxist orientation. Belgrade views "socialism" as the wave of the future and capitalism as a dying anachronism; therefore, bloc policies toward the West are by definition "progressive." At the same time, there is an area of common national interest: as a result of its World War II experience, Belgrade believes that peace in Europe and its own security are served by a weak, divided Germany.

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Finally, Yugoslavia's pursuit of favor with the nonaligned states leads it to assume violent anti-Western, "anticolonial" positions.

Yugoslavia's state relations with Moscow's European satellites have not improved apace. While East European leaders on appropriate occasions call for improved state relations, and delegations are more frequently exchanged, no important developments have resulted and frictional incidents still take place. Belgrade lodged a "most severe" protest with the East Germans in mid-March for forcibly removing from trains Yugoslav officials who were returning from the Leipzig Fair. This situation apparently reflects the individual bias of the satellite leaders and also suggests a lack of Soviet directives ordering them to improve their relations with Yugoslavia.

Economic Relations

Performance under long-term trade agreements signed in 1961 has not matched expectations. The Yugoslav-Soviet pact scheduled a 100-percent increase by 1965, but total trade with the bloc, after rising somewhat in 1960, fell back in 1961 to around 1959 levels. Trade with individual bloc countries was so uneven, moreover, that substantial surpluses of trade were registered with the USSR and Poland, while equally substantial deficits occurred with Hungary, Czechoslovakia, and East Germany. Belgrade has claimed that the recent purchases of Soviet military equipment were a straight commercial deal to utilize its trade credit with the USSR.

Belgrade has charged that the bloc refuses to sell Yugoslav importers the high-quality commodities they want. The bulk of the blame, however, probably lies with Yugoslavia, which is economically oriented toward the West. Yugoslav importers and exporters prefer dealing with the West, and implementation of a trade liberalization program early last year gave them greater flexibility

to buy and sell where they wished. Belgrade will have to re-establish more direct controls over the national economy if trade with the bloc is to be substantially increased.

Party Relations

International Communism, for all practical purposes, broke off party relations with the Yugoslavs when all bloc ambassadors but Poland's who were attending the Yugoslav party's seventh congress in April 1958 walked out on the proceedings. There are no indications that these relations will be resumed soon. Since the Soviet party's 22nd congress last October, such a ranking bloc figure as Czech party First Secretary Novotny stated also that as long as the Yugoslavs "adhere to their revisionist theses, there can be no normalization of relations along party lines"--words subsequently echoed by Bulgaria's Zhivkov. A Soviet official in late March claimed in a public lecture to a Soviet audience that Belgrade had requested a restitution of party ties but had been rebuffed.

The sole violator of the international movement's ban on party relations with Yugoslavia is the Italian Communist party, whose leader, Palmiro Togliatti, is a noted proponent of polycentrism. In the past six months, the Italians have sent at least two party delegations to Yugoslavia, at least one of which discussed ideological questions.

Ideology

Underlying Belgrade's ideological differences with the bloc is Yugoslavia's refusal to subordinate its national interests to those of the Soviet Union and recognize the USSR as the supreme interpreter of Marxism-Leninism. Moreover, as specific ideological points are disputed they become a source of conflict in themselves.

The critical exchanges with Moscow accompanying the

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promulgation of the Yugoslav party's program in 1953 revealed a wide area of ideological disagreement. These differences encompassed: the significance of social change in the Western world and the resulting nature of present-day capitalism; the possible ways a country can make the transition from "capitalism" to "socialism"; the correct role of the Communist party in society; the value of an international Communist movement and its need for unity; the propriety of the division of the world into two power blocs; collectivization of agriculture; the proper role of the state in a Communist country; the causes and meaning of the Hungarian revolution; state centralism versus decentralization; policy toward minorities; and nationalism and national Communism.

Since 1958, neither side has seriously tried to resolve these ideological differences. In fact, the area of disagreement has been broadened as each fit subsequent developments into its own ideological world view. In 1960 Kardelj's book Socialism and War, attacking Chinese policies on theoretical ground, asserted that "socialist" countries could wage an "aggressive" war; Moscow challenged this position. The Soviet party's program, approved at the 22nd congress, asserted that the USSR is constructing an "all-people's state"; Belgrade in February evaluated this as a "scientifically senseless and politically harmful ideological fetish," which "was buried by Marx and Engels a century ago." Tentative appraisals by Belgrade and Moscow as to the legitimacy of claims by various Afro-Asian states to be building "socialism" give promise of additional areas of disagreement.

Having denied Moscow's pre-eminence in ideological matters, Belgrade has instead advocated "polycentrism" as the preferred basis for international Communist collaboration. By Yugoslav interpretation this would permit each party voluntarily and by "auton-

omous and independent action... to struggle for the concrete objectives of the movement." Moscow has attacked both the Yugoslav and Italian varieties of "polycentrism."

Despite the breadth of the bloc-Yugoslav disagreement over ideology and the occasional outbreak of polemics, the bloc's condemnation of Yugoslav "revisionism" has become increasingly formalistic. This results in part from growing bloc preoccupation with the Sino-Soviet dispute. The Soviet 22nd congress declared "revisionism" to be the main danger to international Communism, but the bulk of its vituperation was devoted to "dogmatists"--in Communist jargon, the Chinese and Albanians. In addition, at the East Germans' fifth party congress in July 1958, Khrushchev directed, "We must not devote more attention to the Yugoslav revisionists than they are worth." The more attention we pay them, the greater will be their belief that they are playing a great role."

This Khrushchev dictum has enabled the bloc leaders to avoid enunciating their own shades of ideological difference in mandatory attacks on one or another facet of Yugoslav policy. On the whole, however, bloc leaders are anti-Tito, fearing that application of his policies in their own countries would lead to domestic upheavals. Only Poland's Gomulka has shown since 1958 any attraction to Yugoslav positions, primarily by his failure to collectivize agriculture precipitately and by his insistence on characterizing Yugoslavia as a "socialist" state. Of the non-bloc parties, only Italy's has shown any great affinity for Yugoslav ideology. In the Danish party, where Titoism attracted a substantial following, a split resulted, and the Titoists established their own party.

Conclusions

The trend of improving Yugoslav-Soviet state relations

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will apparently continue for the foreseeable future. Yugoslavia expects to open negotiations soon for a visit to Yugoslavia by Soviet "President" Leonid Brezhnev.

There are a number of moves Khrushchev could make in the economic sphere. In 1959 and 1960 Belgrade asked for a return to observer status in CEMA. Belgrade also is presumably still interested in Soviet developmental loans.

To date, the improvement in Yugoslav-Soviet relations has been limited and has been possible only through ignoring large areas of difference, even at the state level. The Yugoslavs continue to proclaim, for example, that the bulk of the world's problems result from its division into two hostile blocs and to base their approach to international problems on closer relations with the non-aligned states; Moscow no longer uses these as central points in anti-Yugoslav propaganda.

Yugoslavia is at present working to convene a conference sometime this summer of economic ministers from the uncommitted states to consider how best to protect themselves from the anticipated adverse effects of the Common Market's and CEMA's increasing integration.

Foreign Minister Popovic is currently on a tour of Latin America to enlist support for the nonaligned group. Belgrade is also attempting to organize a conference of international trade unions to build a body of worker support for the nonaligned movement and

to wean national unions away from both the bloc's WFTU and the West's ICFTU.

Recently Moscow has been emphasizing only the positive aspects of its state relations with Belgrade. In the section of his speech to the April Supreme Soviet session devoted to Yugoslavia, Gromyko noted that "the positions of the Soviet Union and Yugoslavia are actually identical on questions of disarmament and coincide or are close on several other international problems. This of course is very good...." The Soviet-Yugoslav communiqué at the conclusion of Gromyko's visit to Yugoslavia earlier in April had stressed the same points.

In the ideological sphere, differences between Moscow and Belgrade are becoming increasingly codified and institutionalized. Both states, for example, are in the process of adopting new constitutions which will embody their differing approaches to "building Communism." Each new commitment to the existing, differing ideological views further complicates the possibility of a reunion between Yugoslavia and the bloc during the lifetime of either Tito or Khrushchev.

Tito would destroy the bloc as presently constituted, but considers himself a member of the Communist world movement; he thinks in Marxist terms. The common Marxist grounding of the leaderships of both Yugoslavia and the USSR thus provides both an element of unity and of discord; the unity, however, is more apparent than real.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****INDIA'S NORTHERN BORDER DEFENSE**

Deficiencies in India's large military establishment have been a major impediment to an effective policy for checking Chinese Communist encroachments along the northern frontier. The country's leaders have therefore temporized, hopeful that Peiping would not force a military showdown which would further demonstrate Indian weakness.

At the same time, while not compromising their policy of nonalignment, Indian leaders have cautiously sought external support against the Chinese. They have maintained close relations with Western sources of aid and have sought to encourage Soviet "impartiality" in the Sino-Indian dispute.

In direct relations with the Chinese, the Indians have maintained a tough diplomatic line, insisting on Chinese withdrawal from contested border areas as the price for the type of negotiations both sides continually claim to want. This tough line, however, has been undercut by the lack of equally strong military backing.

The main purpose of India's tactics has been to buy time to improve its military capabilities and supporting industrial base to a point where its strength would earn respect in Peiping for Indian diplomacy or even compel Peiping to evacuate the disputed areas. This has been a recurrent theme in Prime Minister Nehru's public pronouncements on the border problem.

"It is wise and essential that we think of military steps lest others fail. That is why we have been engaged in road building, in building up our military apparatus, and so forth. Until that is done, our indulging in some adventure will not be wise."--Nehru, 14 May 1962

Military Deficiencies

India's military establishment has been weak in both human and material terms. Although it has adequate manpower resources, the growth of the military services--particularly the army--has not kept pace with the rapid expansion in military commitments. Recruits are often incapable of meeting the ever-rising technical demands imposed on them. This generally low technical competence has been compensated for only to a degree, and then only in the army, by the superior quality of fighting men produced from among India's "martial races" as a result of deep-rooted British-Indian military traditions.

Materiel deficiencies have been even more severe. Much of India's fighting equipment is outdated. The pressure of economic development on the country's steadily dwindling foreign exchange reserves has precluded massive purchases, while India's capacity to produce its own heavy armaments has not grown commensurately with other industrial advances.

Terrain in the border area, moreover, has imposed greater than ordinary burdens on existing equipment. While rail and road nets in the interior are adequate for the movement of military forces and stores, the border regions are difficult of access and require heavy reliance on pack animals (and in many cases human porters) as well as airlift. Efforts to conserve the useful life of obsolescent equipment have limited the training cycle, particularly in the armored corps, and airlift requirements, even for routine support of isolated outposts, have placed an intolerable burden on the air force's aging transport fleet.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****Increased Defense Spending**

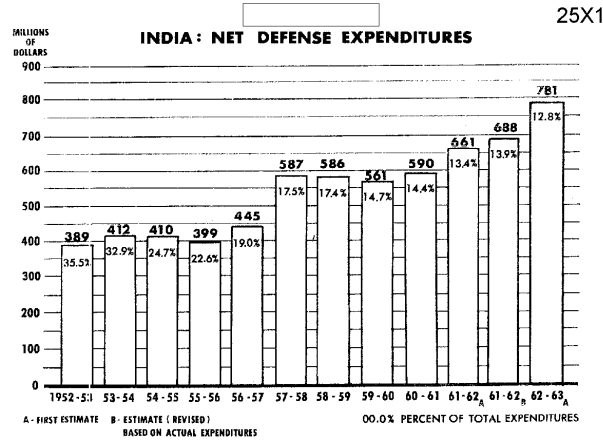
New Delhi has sought to improve its military position by steadily expanding defense spending, even though outlays have not kept pace with the rise in overall budgetary expenditures. The more than \$780,000,000 budgeted for defense in the fiscal year which began on 1 April is \$100,000,000 more than last year's expenditures and \$200,000,000 more than the year before, but less than in previous years as a percentage of overall budgetary outlays. This cautious approach has been dictated by New Delhi's unwillingness to jeopardize the long-range goals of economic development.

In addition, heavy outlays for the development of heavy industry and for transport and communications, while aimed at the civilian economy, are not without their impact on military capability--for example, an ambitious road-building program in the border areas during the past three years.

Strengthening the Army

The major fighting force is the army, whose expenses normally account for about 60 percent of the defense budget. An all-volunteer service, the army has grown during the past three years by about 150,000 men to a total of 550,000--making it the third largest in the non-Communist world.

Part of this increase comes from the incorporation of some 25,000 state militiamen long employed with the regular army in Assam and Kashmir. The activation of more than 30 battalions of reserves accounts for nearly another 25,000. Most of the increase, however, has come from raising new units to fill out the two new divisions and the several independent brigades established since 1959. Army plans call for the establishment of yet another three divisions, which will bring



the total to 13. These will be made up from independent units already in existence and from more than 25 new battalion-size increments of infantry, artillery, and armor which will be ready by the spring of 1963. Engineer and support units have also been greatly expanded.

Rapid expansion has strained the army's resources. There are enough general officers with British training to fill the new commands, but qualified field- and company-grade officers are in short supply; the pressure on NCO ranks is even greater. The demands are equally heavy on equipment--particularly vehicles, armor, and artillery--much of which has been in reserve stocks for some years. Frequent shifts in duty stations and prolonged service in remote outposts in the north have brought morale problems.

Much of the army's increased funds has gone to meet these ancillary problems of expansion. Military installations and training facilities have been built and improved, arrangements are under way to buy new British tanks and to manufacture tanks in India, and other equipment, such as radar, antiaircraft guns and missiles, road-building equipment, and radios, is being sought. Pay and amenities also have been increased. A portion of last

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year's increase in army spending went to defray the costs of the Goa invasion, although this operation, in addition to its political aspect, served as a training and deployment exercise.

The Air Force

Many of the army's problems are found also in the air force, whose 30,000 highly trained volunteers man more than 800 jets and 500 propeller-type transport and support aircraft. A jet modernization program, begun in the mid-1950s in response to Pakistan's acquisition of Sabre-jets, was barely completed before pressures began to mount to obtain the next generation of aircraft to match the supersonic fighters which had subsequently come into Pakistan's and China's possession. Lack of money, in addition to imposing restrictions on re-equipment, has also curtailed the training cycle and prevented the air force from buying the sophisticated electronic equipment necessary for fully effective operations.

The failure of India's efforts to produce its own fighters, the limited number of European jets (British Folland Gnats) now being assembled in India, the urgent need for modernization of both fighter and transport aircraft, and--most important--the shortage of foreign exchange have reluctantly led the air force, prodded by Defense Minister Krishna Menon, to look to the Soviet Union. Twenty-four IL-14 Crate transports were purchased as a stopgap to augment the overworked C-47-type Dakotas in use; up to 16 AN-12 turboprop heavy transports have been ordered for moving heavy supplies into the border regions; as many as 40 MI-4 Hound helicopters have been added to the list of aviation equipment purchased for rupees for use in the remote northern tracts; and negotiations are "well advanced," despite some air force objections, for MIG-21 jet fighters.

Acquisition of these Soviet aircraft has posed additional problems: the IL-14s have proved to be poor cargo aircraft, the 7 AN-12s in use have had many operational difficulties, and complications are expected once Soviet spare parts begin to swell the already complex parts inventory. The presumed political advantages of dealing with Moscow--in terms of the Sino-Soviet dispute--coupled with accommodating financial arrangements and availability, have apparently overruled other considerations, at least for the time being.

Pakistan and Other Diversions

An additional complication in military planning with regard to China is the unsettled character of India's relations with Pakistan. Recurring periods of tension, coupled with the vulnerability of India's heartland to Pakistani military action, require the deployment of a substantial portion of the Indian Army along the border separating West Pakistan from India and the Indian-held portion of Kashmir from that occupied by Pakistan. These frontiers tie down 6 of India's 10 divisions, plus up to 12 additional brigades which are directly subordinate to higher headquarters in these areas.

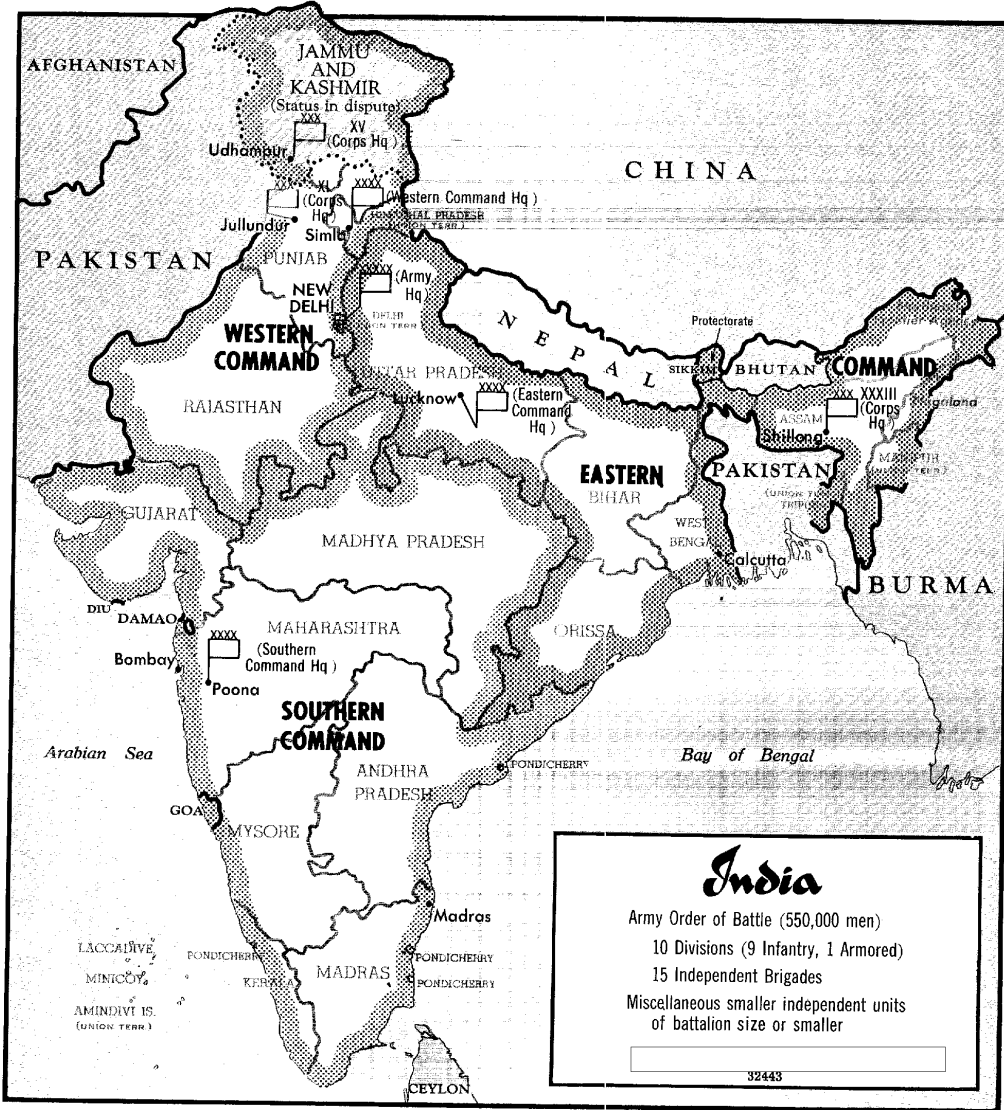
The Indians this spring have shown a willingness to deploy elements from these forces to bolster the thinly spread battalions deployed against the Chinese in Ladakh, but on previous occasions they have been reluctant to reduce for any extended period the numerical superiority of their forces arrayed against Pakistan.

Other problems which dilute Indian military strength include the rebellion which ties down a division in the Naga Hills of Assam, the UN operations in the Congo (to which India contributes 5,500 troops) and in the Gaza strip (an additional 1,000), and

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the long-standing requirement for military presence to back up civil authority in various parts of India itself. In Indian eyes, these factors leave little surplus for the northern border unless there is continued expansion of the military establishment.

Alternatives

India's tougher military stance this spring is in part a reflection of confidence in its growing strength. However, the problems posed by the need to ex-

pand and modernize the military establishment will continue to produce compromise solutions. The alternatives include acquiescence in Peiping's claims, reconciliation of Indo-Pakistani differences, acceptance of outright military aid from the West, large-scale Soviet assistance, or a diversion of resources now committed to economic development. None of these is likely to be acceptable to New Delhi in the absence of a major Chinese push across the Himalayas or Chinese acquisition of nuclear weapons.

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