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10 August 1962

CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

State Dept. review completed

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CURRENT INTELLIGENCE WEEKLY SUMMARY

10 August 1962

THE WEEK IN BRIEF
(Information as of 1200 EDT 9 Aug)

SOVIET FOREIGN POLICY DEVELOPMENTS Page 1

Moves on Berlin and Germany: Although Moscow has raised the specter of imminent action in Berlin and a number of reports have hinted at increased pressure on the Western positions, it seems likely that Khrushchev has not yet decided on his next move. The USSR is proceeding cautiously to avoid the high risks involved in any clear-cut challenge to the West. Work is continuing on military and security defenses in East Germany in what may be preparations for a period of heightened pressures on Berlin.

Nuclear Testing and Disarmament: The USSR is continuing its nuclear testing. Soviet actions at Geneva suggest that, with but a few weeks left before the disarmament conference recesses, Moscow is marking time for the duration of its test series.

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LAOS Page 3

Since his return to Laos on 3 August Premier Souvanna has been attempting to foster a climate of conciliation among the three factions. One of the key questions facing Souvanna will concern the future of the 14,000 Meo guerrillas. On the diplomatic front, the Chinese Communists have intensified their pressure on Vientiane to withdraw recognition from the Nationalist regime. There is as yet no firm evidence of major North Vietnamese withdrawals from Laos.

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WEST NEW GUINEA Page 3

The Indonesian and Dutch Governments have accepted the preliminary arrangement on West New Guinea that their negotiators announced on 31 July. Formal negotiations are scheduled to begin on 11 August, and a final accord may be signed soon thereafter. Dutch Foreign Minister Luns finds the agreement distasteful, but he is expected to help carry out the cabinet's decision. Indonesian leaders say they still distrust the Dutch and are maintaining readiness for further military operations in case the Dutch fail to cooperate in implementing the agreement rapidly. Large-scale action by Indonesia seems unlikely, but minor infiltrations may continue.

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ALGERIA Page 4

The transfer of power within Algeria on 7 August from the PAG to the political bureau formed by Ben Bella should give the country a semblance of central authority until the elections now scheduled for 2 September. Ben Bella can probably control the selection of candidates for the elections. However, he faces a more serious problem in asserting civilian authority over the Algerian National Army, and an abrupt effort to do so could provoke another crisis. Meanwhile, unless quick action is taken to relieve unemployment, public disenchantment may soon reach serious proportions.

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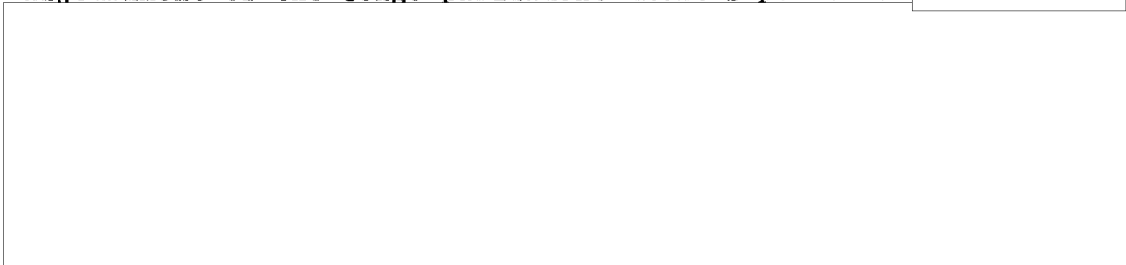
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CONGO. Page 5

Adoula is making another series of gestures reasserting Leopoldville's sovereignty over Katanga. Restrictions on air traffic and communications, and threats against companies operating there have been announced in Leopoldville, but the UN forces are the only instruments available to enforce the restrictions in Elisabethville. Katanga has retaliated by imposing a partial blockade of UN forces. Announcement of the moves against Katanga has embarrassed Western governments; similar moves were envisaged by them only as late stages of a broader, coordinated plan to put pressure on Tshombé. Domestic pressures on Adoula for action against Katanga appear to have been reduced somewhat by the adjournment of the Congo parliament until September.

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APPARENT INCREASE IN SOVIET MILITARY SHIPMENTS TO CUBA . . Page 9

Soviet military deliveries to Cuba apparently have been stepped up sharply since mid-July, and large numbers of Soviet technicians may have arrived in connection with these shipments.

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SOVIET DRIVE AGAINST CRIME Page 10

Moscow appears to be making little headway in its year-old campaign to eliminate illegal economic activity. Despite rigorous enforcement of laws prescribing the death penalty for embezzlement, speculation, counterfeiting, bribery, and theft of state property, such crimes continue. During the last week of July, 11 persons, including two high-ranking government officials, were sentenced to death and 52 others to long prison terms for "swindling the state." There are some indications that the drive against economic crimes will become even more intense in the near future.

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USSR CROP PROSPECTS Page 12

Soviet crop prospects in the fourth harvest season of the Seven-Year Plan (1959-65) appear to be only about average. The growing season in much of the European USSR has been abnormally damp and cold; in major crop areas of the Caucasus, parts of the Ukraine, and the New Lands, there has been insufficient moisture.

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BRITAIN'S NEGOTIATIONS WITH THE COMMON MARKET. Page 13

Despite the atmosphere of crisis surrounding the 5 August adjournment of negotiations on Britain's accession to the Common Market (EEC), neither side believes the

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talks have reached a stalemate. A greater measure of agreement had been hoped for, but substantial progress has been made, and Macmillan now has a broad outline of an agreement to present to the Commonwealth prime ministers on 10 September. The future course of the talks, scheduled to resume in late September, will now hinge to a considerable degree on the Commonwealth reaction. British officials say they are fairly clear on what is still "negotiable" with the EEC, but EEC officials are concerned lest London attempt to reopen questions which have already been settled. [redacted]

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KENYA Page 14

A deteriorating economic situation in Kenya will complicate Britain's task of preparing the East African colony for early independence. London proposes to spend some \$40,000,000 over the next five years to resettle Africans on farm land formerly held by Europeans, but land-hunger and unemployment among Kenya's Africans is already so acute that a new outbreak of terrorism may occur in the countryside. Kenya's political advance is still being retarded by the continuing dispute over regional versus central powers. The two main African parties forming the coalition government, however, have agreed with Britain on the steps leading toward independence, which may come by mid-1963. [redacted]

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AFGHAN-PAKISTANI DISPUTE Page 15

The Shah of Iran has made no headway in his effort to mediate the Afghan-Pakistani dispute. The negotiating positions of the Afghan and Pakistani Governments seem to be farther apart and more unyielding than before the Shah offered his good offices. [redacted]

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IRAQ: THE KURDISH REBELLION Page 16

During the past 18 months the Kurdish rebellion in Iraq has changed from an insurrection protesting Arab discrimination into a nationalist movement fighting for an independent Kurdistan. Although in the past the USSR has fostered the idea of an "independent" Kurdistan under Soviet influence, it has maintained a discreet silence on the issue in recent years out of fear of offending the friendly Qasim regime. Criticisms of Qasim's punitive measures, however, have been made in clandestine Soviet bloc radiobroadcasts and in the Soviet journal Problems of Peace and Socialism. Iranian [redacted] officials are becoming increasingly concerned over the unsettling effect in [redacted] of Kurdish successes. [redacted]

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TURKEY Page 18

The tripartite coalition government, the second headed by Ismet Inonu, faces the same serious political and economic problems as its short-lived predecessor, but will be under greater pressure to solve them quickly. It faces a stronger political opposition and is less certain of military support. Pressures on the government may come to a head soon after the National Assembly reconvenes on 3 September and bring on a new political crisis. [redacted]

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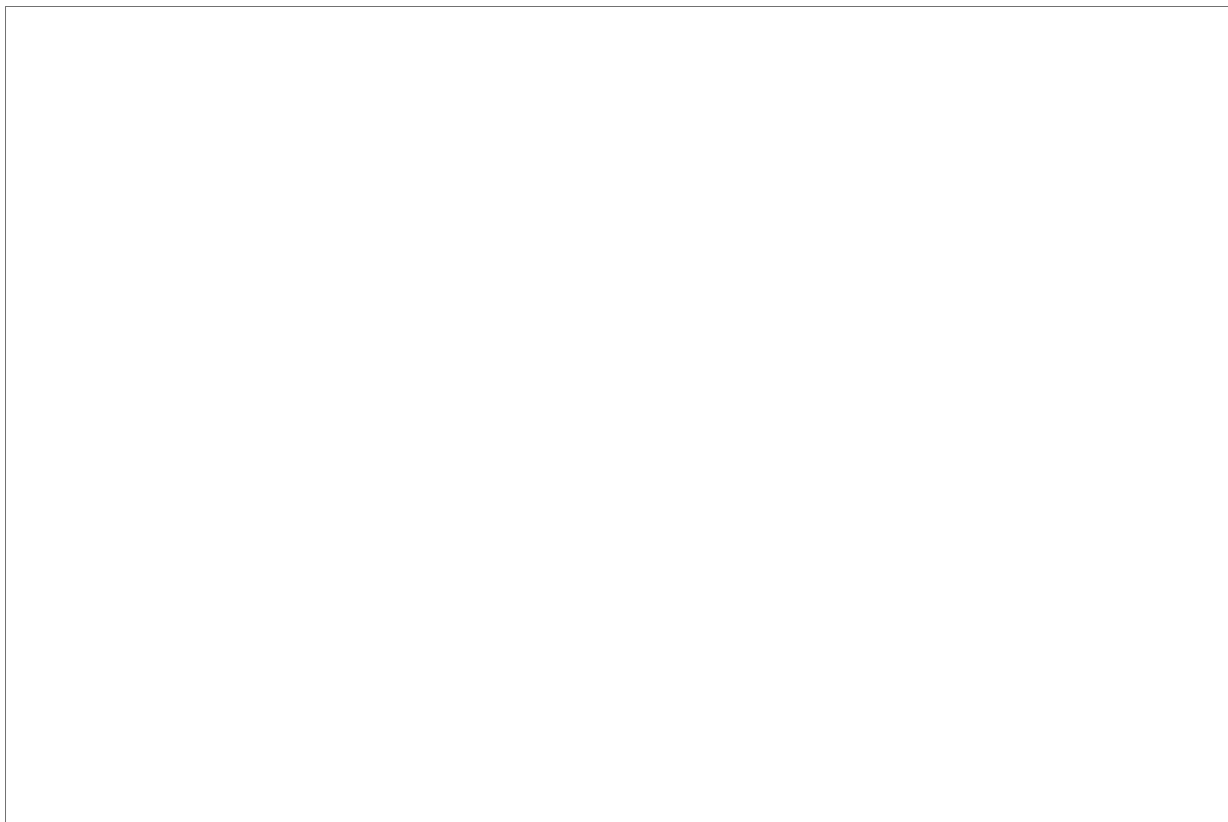
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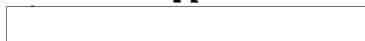
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BRAZIL Page 21

The leftist regime of President Goulart is making considerable headway in its drive to re-establish a strong presidency. Most influential military officials apparently have decided to support Goulart as long as he refrains from extraconstitutional activity. Economic problems including food shortages and serious inflation are generating public demand for stronger national leadership and thus support Goulart's drive for a strong presidency.



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ARGENTINA Page 22

The forced resignation of Secretary of War Loza on 8 August threatens the stability of the Guido administration. While the crisis appears to be the result of a struggle within the army hierarchy, it could present an opportunity for an attempt to overthrow the government.

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SPECIAL ARTICLE

THE CHINESE COMMUNIST AIR FORCE Page 1

The Chinese Communist Air Force has been on the decline for the past several years. Its most serious shortcomings stem from the loss of Soviet aid and technical assistance and from Peiping's own inability to manufacture sufficient numbers of modern military aircraft to maintain the force over the coming years. Other problems include shortages of POL and spare parts, poor maintenance of equipment, and inadequate pilot training. The numerical strength of Communist China's air force is impressive-- over 2,000 jet fighters and 325 jet light bombers. However, unless new aircraft are forthcoming from the USSR or a turn in the economy permits an increase in Chinese aircraft production, a continued deterioration of Peiping's air power is inevitable.



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WEEKLY REVIEW

SOVIET FOREIGN POLICY DEVELOPMENTS

Moves on Berlin and Germany

Although Moscow has raised the specter of imminent action in Berlin and a number of foreboding reports hint at increased pressure on the Western position, it seems likely that Khrushchev has not yet decided on his next move. The Soviet Union is proceeding cautiously to avoid the high risks involved in any clear-cut challenge to the West on the Berlin issue. Soviet leaders may hope that renewed threats bearing on the consequences of a peace treaty will (be enough) to bring forth Western concessions which could result in a negotiated settlement.

In West Germany, Soviet representatives have inspired rumors pinpointing the months from August to October as a period for some kind of Soviet action on Berlin. Soviet diplomats in Bonn have hinted broadly to newspapermen that they should not take a vacation in August since they would miss "a historical event." They hint that all nations which fought Germany in World War II might be invited to attend a "peace conference," some time before the UN General Assembly convenes on 17 September, to conclude a peace treaty with the East Germans. Another rumor has it that the USSR and the bloc will sign a treaty with East Germany prior to the UNGA but suspend its application so that the entire question of Berlin and a German peace settlement can be laid before the UNGA. Yet another rumor speculates that harassment will be stepped up on access routes by stationing East Germans at control points.

Some of these rumors are also current in the diplomatic

community in Moscow. However, Yugoslav, Indonesian, Indian, and UAR diplomats have informed the US Embassy that they have heard of no approach to their governments over the question of a peace treaty. The Yugoslav chargé confided that the issue was not raised during the recent visit of a Yugoslav parliamentary delegation to the USSR.

Ambassador Dobrynin reflected the deliberate prudence which has characterized Soviet actions to date on Berlin in his 1 August conversation with Ambassador Harriman. Dobrynin "admitted" that there were indications Khrushchev intended to sign a separate peace treaty before long, but noted that he had set no date. The Soviet ambassador quickly added that independent action would not be necessary if an agreement could be reached. Dobrynin concluded that without an early agreement, grave difficulties might arise.

While Soviet leaders appear to be engaged in a review of the Rusk-Gromyko talks in Geneva and a reassessment of their own position, Soviet and East German personnel in East Germany are continuing work on military and security defenses in what may be preparations for a period of heightened pressures on Berlin. The East Germans are rushing the completion of construction along the sector and zonal borders of West Berlin, and their security personnel are apparently familiarizing themselves with Soviet procedures in controlling official Allied surface travel. In addition, the armed workers' militia, the Kampfgruppen, participated in a two-day exercise on 4-5 August, appearing in East Berlin and along

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the Wall for the first time since they were brought from outlying districts last summer to augment local security forces during the initial phase in the (construction) of the Wall.

Soviet and East German propaganda is concentrating its attack on the ties between West Berlin and West Germany, in an effort to demonstrate that the occupation forces in the city are protecting those responsible for recent provocations against East Germany. East Germany's Neues Deutschland bitterly criticized West German President Luebke's plans to visit West Berlin on 10 August to participate in anniversary ceremonies decrying the erection of the Berlin Wall. The East German Government officially protested Bonn's enforcement of its demands that East German railroad crews procure Allied Travel Office documentation to transit West Germany. And in a 31 July note delivered in Warsaw to the Western powers, the GDR threatened to meet any further attacks on the elevated railroad stations in West Berlin, which are owned and operated by East Germany, by reinforcing East German railroad police on both the suburban and long-distance railway systems in West Berlin, thus raising the possibility of future interference with the city's rail connections with West Germany.

Disarmament

Soviet actions at the 17-nation Geneva disarmament conference suggest that, with but a few weeks remaining before the conference recesses for the opening sessions of the UN General Assembly, Moscow feels its best bet is to mark time for the duration of its own test series. Soviet delegate Zorin

promptly attacked the new US proposals on a nuclear test ban treaty with the claim that no change in principle had been advanced. After listening to Ambassador Dean's preliminary and informal presentation of the US position, Zorin said that it appeared that prospects for agreement were as bad as they had been before.

The Soviet delegate reiterated the USSR's standard assertion that all suspicious events could be detected and identified by national posts and that no obligatory on-site inspection was needed or justified. Zorin maintained that the question of on-site inspection should be handled along the lines of the eight neutralist nations' proposal which provided for "invitational" inspection of a suspected seismic occurrence.

The USSR had accepted the neutralist "compromise" proposal on 19 April as the basis for further negotiations but made clear that it did not feel the "invitational" provision carried any specific obligation to allow inspection. In forthcoming discussions the USSR will probably maintain an equally intransigent position and study the impact of the new US proposals on the neutralists before making its next move. In the UN sessions, it will probably exploit any unilateral proposals by the neutralists which would divert attention from the US proposals. The Mexican delegate, for example, apparently plans to advance at the UNGA a draft atmospheric test ban proposal which will probably propose a cut-off date of 1 January 1963 for all tests.

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LAOS

Premier Souvanna returned to Laos on 3 August. During his absence, the coalition was hamstrung by the mutual suspicions of Souphannouvong and General Phoumi, and action on all important matters was deferred.

One of the key questions facing Souvanna will concern the future of the 14,000 Meo guerrillas... who control large areas of Xieng Khouang and Sam Neua provinces. The Pathet Lao want to neutralize these forces, which pose a threat to their control of northern Laos, and have called for a cessation of aerial resupply flights, alleging that such flights are for the purpose of dropping arms to Phoumi's "special agents and bandits." The capability of the Meo forces would be seriously impaired if their air-dropped supplies, now consisting of food and other nonmilitary items, were curtailed.

Souvanna also faces the problem of Chinese recognition. Peiping has stepped up its pressure on Vientiane to withdraw recognition from the Nationalist regime. Repeated Communist attacks on the Nationalist posi-

tion were climaxed when, following Souvanna's arrival at the Vientiane airport, the Communist chargé stepped in front of the Nationalist ambassador and greeted Souvanna in the name of "650,000,000 Chinese people." Taipei protested and requested the "immediate expulsion" of the Peiping representative. It is unlikely that Souvanna will comply. In the past he has indicated that, while he would not object to Nationalist presence in Vientiane, he had no alternative but to establish diplomatic relations with Communist China.

There are indications that the North Vietnamese are withdrawing limited numbers of their troops from Laos, but there is no evidence to suggest that a full-scale withdrawal is yet under way. It is possible that Hanoi will attempt to retain control over the northern and eastern border areas, and it may incorporate increased numbers of Lao-speaking cadres from North Vietnam into Pathet Lao units. Such a move would be difficult to detect in view of the ethnic similarities among the tribal groups in eastern Laos and western North Vietnam. 25X1

WEST NEW GUINEA

The Indonesian and Dutch governments have accepted the preliminary arrangement on West New Guinea that their negotiators announced on 31 July. Formal negotiations are scheduled to begin on 11 August, and a final agreement may be signed by about 15 August. The arrangement provides for the replacement of the Dutch by an interim UN administration as soon as possible, with Indonesia assuming the administration by 1 May 1963. The native Papuans must be permitted self-determination no later than 1969.

Among the technical questions apparently still to be solved is the disposition of some 300-500 Indonesian troops who have infiltrated New Guinea since last March and are still at large. It seems likely that U Thant will grant Indonesia's demand that they be permitted to remain for use by the interim UN administration.

Some members of the Dutch Government--notably Foreign Minister Luns--find the agreement distasteful, but van Roijen, head of the Dutch delegation, believes Luns will fully carry out cabinet decisions regardless of personal views. In a conversation with Ambassador Rice on 6 August, Luns remarked that the agreement meant "complete capitulation" by the Netherlands and that it would not improve relations between Washington and The Hague.

Indonesian leaders say that they still distrust the Dutch. The military is maintaining operational readiness in case the Dutch fail to cooperate with the UN in implementing the agreement rapidly. Large-scale action seems unlikely, but infiltration activity is a continuing possibility. 25X1

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CURRENT INTELLIGENCE WEEKLY SUMMARY

ALGERIA

The formal transfer of power within Algeria on 7 August from the PAG to the political bureau formed by Ben Bella should give the country a semblance of central authority pending the elections now scheduled for 2 September. Ben Bella can now probably control the selection of candidates for the elections. A parallel effort to bring the Algerian National Army (ALN) under control poses more serious problems. ALN leaders would probably resist, thus provoking another crisis. Meanwhile, unless quick action is taken to relieve unemployment, public disenchantment may soon reach serious proportions.

Ben Bella appears to have made some concessions to the Ben Khedda group. Colonel Boumedienne, the ALN chief of staff "dismissed" by Ben Khedda, was excluded from Ben Bella's entourage which arrived in Algiers on 3 August. The agreement to have the composition of the political bureau reviewed by the National Revolutionary Council (CNRA) after the Constituent Assembly elections is probably meaningless, however, since the assembly will then be the effective arena of power.

[Redacted]

The US consul general in Algiers reported on 6 August that although the question of civilian control over the military remains to be settled, it may not become acute until after the elections and the installation of a government.

The PAG, which has been recognized by nearly 40 countries, will continue to have some responsibility for foreign affairs, and apparently intends

to ensure diplomatic precedence to countries which recognized it before France granted independence. The PAG foreign minister, however, has resigned and left Algeria, and little of significance in foreign affairs is likely to occur until after the elections. The USSR has sent some relief supplies to Algeria, and Bulgaria has provided hospital equipment and personnel.

The US consul general feels that steps so far taken by the French-appointed Provisional Executive are insufficient to stop the downhill slide of the economy. He thinks that only firm steps by the French Government to provide money for immediate, large-scale make-work projects can give the Algerian leaders the necessary breathing spell. France is continuing to meet operating expenses under the ordinary Algerian budget.

[Redacted]

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Paris apparently intends to wait until an elected government is installed before undertaking any large-scale aid projects.

Paris has welcomed the stabilization of the Algerian situation as a necessary step toward implementing the Evian accords and halting--perhaps reversing--the outflow of Europeans.

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As of 31 July, an estimated 255,000 French army forces remained in Algeria.

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

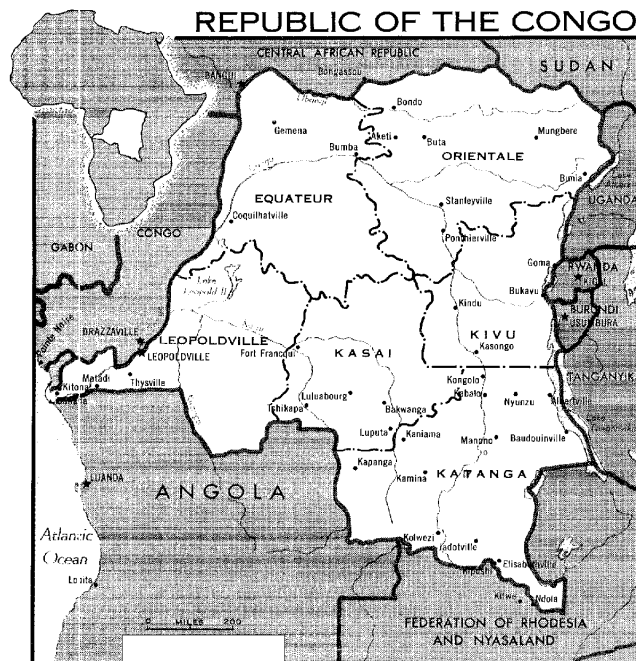
Adoula is trying--independently of Western and UN planning--to seize the initiative by a series of anti-Katangan gestures reasserting Leopoldville's sovereignty. He has ordered private airlines overflying or landing anywhere in the Congo to obtain prior permission from Leopoldville; has "suspended" all radio and telecommunications to and from Katanga; and has threatened retaliation against commercial firms, mining companies, plantations and other enterprises which "continue to support" Katanga. Leopoldville's ability to enforce compliance is very limited, but Adoula may be laying the groundwork for possible legal action, at least against some companies. The UN command in Katanga, which is in control of the airports at Elisabethville and Kamina, is apparently enforcing the airline decree there. The Katangan government has retaliated by clamping a partial blockade on UN forces. More than 200 carloads of food and fuel intended for UN forces were halted at Sakania on the Northern Rhodesian border.

New Leopoldville-sponsored military attacks in force in northern Katanga, of which there were some earlier indications, have yet to materialize.

Western European governments are embarrassed and irritated by the heavy premature publicity given the UN-Western plan to work out a settlement and by the restrictions announced by Adoula. The UN-Western plan for reconciliation has yet to receive final ap-

proval by London and Brussels, and the economic pressures--similar to the ones Adoula has tried to set in motion--are still being debated. The sanctions, moreover, would come into play only after Tshombé had rejected the UN-Western proposals.

There are other signs that Adoula is exerting more vigorous leadership. He took some of the steam out of the opposition by adjourning parliament on 3 August. He formed an eight-man committee within the cabinet to speed the making of decisions. This committee was apparently responsible for the anti-Katanga decrees. In what appears to be an effort to increase its control in Orientale Province, Leopoldville has reportedly transferred General



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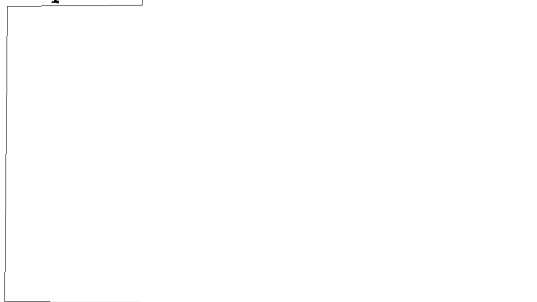
Lundula from the Stanleyville command and replaced him with a lieutenant colonel.

The opposition intends, nevertheless, to continue to press President Kasavubu to dismiss the Adoula government.

Before it adjourned, Parliament passed legislation dividing the present six Congo provinces into at least nineteen new provinces. The proliferation of provincial tribal fiefdoms, while satisfying to local politicians, is bound to weaken even further central government control and add to the already heavy burden of government expense on the Congolese economy. Katanga has been divided into northern and southern Katanga. Tshombé's power is really little affected because his influence in the north has always been minimal and the base of his power, the mining and industrial complex, is in southern Katanga.

Apparently satisfied that UN-Katangan tensions had been sufficiently reduced, Tshombé flew to Geneva on 2 August, reportedly for his health, but more probably to talk to his bankers and to seek advice. The wide publicity given proposals for UN-Western economic pressures on Katanga if Tshombé continues to refuse to integrate apparently led him to press Union Miniere to pay mineral

royalty revenues in advance of export.



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Regarding Adoula's proposal of a new federal constitution, the laws on constitutional changes will afford Tshombé immeasurable opportunities for delay. Tshombé may again demand that future talks with Adoula be held outside the Congo.

There is disquiet among some of the nations providing troops to the UN Congo operations over the slow progress on a settlement and some have indicated a desire to withdraw their troops. Although Nehru is not likely to withdraw the Indian troops, the largest of the UN contingents, there is some Indian public and official opinion which believes they might be better employed at home in view of the tense Sino-Indian border situation. Nigeria has wanted to bring home one of its two battalions, and has only reluctantly agreed to permit it to stay on. Ireland has given some indications it might like to withdraw.

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APPARENT INCREASE IN SOVIET MILITARY SHIPMENTS TO CUBA

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Soviet military deliveries to Cuba apparently have been stepped up sharply since mid-July, and large numbers of Soviet technicians may have arrived in connection with these shipments.

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[Redacted]

The link, if any, between these arms deliveries and the recent visit of Raul Castro, head of the Cuban armed forces, to the Soviet Union remains obscure. Castro's visit appeared to be aimed primarily at procurement of additional Soviet military aid. However, the circumstances of his departure from Moscow in mid-July--noted by the USSR only in a terse TASS announcement--suggested that difficulties had cropped up during the talks.

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There have been reports that several shipments of military equipment have arrived in Cuba recently.

The current military shipments evidently began to leave Soviet ports just prior to Raul Castro's departure from Moscow, suggesting that agreements for new materiel had been worked out prior to the visit but that shipment was delayed until the Cuban delegation arrived to complete preliminary arrangements. The delegation was composed of several high-ranking Cuban military officers

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it appears that a large part of the new deliveries, at least in the first arrivals, is made up of communications equipment of various types.

A sharp increase in Soviet military assistance--accompanied by what appears to be an exceptionally large influx of military technicians--suggests a major effort to strengthen Havana's overall military position rather than another routine development in the USSR's arms aid program in Cuba. The normal assimilation of weapons and military-related equipment supplied by Moscow should not necessitate the large number of technicians reported to have arrived recently. However, a rapid expansion of Cuba's air and coastal defense systems or the future development of its internal security capabilities probably would require large numbers of Soviet advisers and technicians.

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Concurrently, five Soviet passenger ships have arrived in Cuba with large numbers of personnel. One of these, which arrived in Havana in early August, carried 1,500 Soviet agricultural specialists and students, according to Soviet and Cuban press reports.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****SOVIET DRIVE AGAINST CRIME**

Moscow appears to be making little headway in its year-old drive to eliminate illegal economic activity. Despite rigorous enforcement of laws prescribing the death penalty for embezzlement, speculation, counterfeiting, bribery, and large-scale theft of state property, there has been little diminution in the crime rate. During the last week of July, 11 persons were sentenced to death and 52 others to long prison terms for "swindling the state."

Two of those receiving the death sentence were high-ranking government officials. On 25 July the Soviet press announced that K. T. Degtyarev, head of a department in the USSR Ministry of Finance, would be shot for taking bribes from pension applicants, and that B. D. Dyushaliyev, who was head of the State Planning Committee (Gosplan) in the Kirgiz Republic during 1957-60, would be put to death for currency speculation and theft of state property.



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"You won't believe me, but word of honor, I won it all in the State lottery." (Krokodil.)

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Along with Dyushaliyev, eight other persons--most of them minor government and economic officials in Kirgizia--were also sent to the firing squad; 40 of their accomplices received stiff prison terms. The Kirgiz group was accused of stealing state property worth over 3 million new rubles, illegally selling expensive clothing, and speculating in foreign currency with the proceeds. The state claimed that at the time of their arrest they had in their possession 50 pounds of gold, 66 pounds of silverware, over 4 million rubles in cash, and real estate and automobiles valued at almost 7 million rubles. In other cases publicized during the week, a slaughterhouse attendant in Uzbekistan was shot and two accomplices jailed for fraud, and 10 Estonians were sent to prison for black-market dealings in foreign currency.

According to Soviet press accounts, at least 80 persons have received the death sentence and well over 250 have been imprisoned for economic crimes during the past year. All areas of the Soviet Union have been affected, and all levels of the social scale, from unemployed "parasites" to government bureaucrats. Approximately 25 to 30 percent of

those sentenced have Jewish names, but their arrests evidently resulted from actual lawbreaking rather than from any officially inspired anti-Jewish campaign. Strong overtones of anti-Semitism have appeared in some local accounts of crime, but these are probably reflections of the government's current railing against all religions in the USSR.

High-level dissatisfaction with the failure to eliminate economic crimes is becoming apparent in Moscow. At a recent meeting attended by party presidium member Dmitry Polyansky, leading state prosecution officials were reminded of the continuing need to inflict strict punishment on economic offenders and to enlist wider public participation in the fight against crime. In early August, the USSR Supreme Court complained that lower courts were still underestimating the "particular social danger" of economic crimes, and called especially for a crackdown on bribery. Apparently the Kremlin is bent on intensifying still further its campaign against activities which are damaging to the economy and which belie its propaganda assertions that the causes of crime have been eliminated under socialism.

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USSR CROP PROSPECTS

As the USSR enters the fourth harvest season of the Seven-Year Plan (1959-65), agricultural prospects appear to be only about average and crops will fall short of 1962 plan targets. The growing season in much of the European USSR has been abnormally damp and cold and there has been insufficient moisture in major crop areas of the Caucasus, parts of the Ukraine, and the New Lands. Although Khrushchev recently told Ambassador Thompson that this year's crop would be "about the best" the USSR ever had, he did not give the statement much emphasis. Soviet newspaper statements on the subject have been relatively cautious.

Grain acreage this year has been expanded about 10 percent over 1961, and it is quite possible that the Soviets may claim a harvest exceeding the claimed record 141,200,000 tons for 1958. However, much will depend on the New Lands grain harvest; prospects for both winter grain production in the Ukraine and the corn crop appear to be unfavorable.

An early spring in the New Lands has hastened harvest time, but development has been spotty because the shortage of moisture persists in some areas. Soviet concern with the New Lands harvest--apparent in the unusually large number of decrees on the subject this year--reflects a desire to avoid the mismanagement which helped "wreck" the 1960 and 1961 harvests and to make up for

unsatisfactory grain production in other areas.

Prospects for this year's cotton crop are only mediocre--with the likelihood that the cotton textile industry, already lagging, will not make much improvement next year. An unusually cold, wet spring in Central Asia, accompanied by wind and hail, retarded development and required extensive replanting. According to numerous Soviet reports, there has been a consistent shortage of water for irrigation during the summer months.

The outlook for meat and other livestock products is relatively favorable. There is a record number of livestock and the early spring over much of the USSR favored the development of pastures. There has been a considerable expansion this year of areas planted to higher yielding feed crops under Khrushchev's program of reduced grasslands and fallow areas. This expansion should provide greater feed supplies for the coming year--though the increase in production will be limited by manpower and machinery problems.

The production of potatoes and vegetables will probably be somewhat below average due to the effects of the cool, damp weather in much of the USSR as well as a slightly reduced acreage. A significant part of the sunflower and sugar beet crops is grown in areas which have suffered from insufficient moisture and production is expected to be adversely affected.

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BRITAIN'S NEGOTIATIONS WITH THE COMMON MARKET

Despite the atmosphere of crisis surrounding the 5 August adjournment of further negotiations on the terms of Britain's membership in the Common Market (EEC), neither London nor the EEC believes the talks have reached a stalemate. A fuller measure of agreement had been hoped for, but substantial progress has been made, and London now feels it has a "pretty good idea" of what it can expect to achieve when the negotiations resume in late September. After some initial hesitation, Macmillan has decided to proceed as scheduled with the 10 September meeting with the other Commonwealth prime ministers to test their reaction to the UK-EEC arrangements which have so far been decided.

The belief that no further progress could now be made and the physical exhaustion of the principal negotiators were major factors in the decision to recess the talks. The previous four days of almost continuous bargaining were difficult--at times marked by a tense atmosphere. As expected by both sides, the French attempted to drive the hardest bargain possible. They were careful, however, to avoid a break with their Common Market partners, and on most issues they had the support of the EEC Commission, whose function it is to act as guardian of the EEC treaty.

The issue on which the talks adjourned--the regulations concerning the EEC's common agricultural fund--is exemplary of the aggressive but generally adroit tactics of the French. In question is the use of the monies which will eventually accrue to the EEC from the various duties levied on imports of farm produce and which may ultimately total hun-

dreds of millions of dollars. The French have a primary interest in the fund since, if EEC farm prices are set so high that EEC farm production increases, the costs of disposing of surpluses will be met by the fund and the major potential recipient is France.

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While a number of such delicate issues will have to be resolved when the talks resume, problems of similar complexity have been settled already, and Macmillan will therefore have a fairly complete UK-EEC package to offer the Commonwealth prime ministers at their September meeting. This package is unlikely to satisfy the Commonwealth entirely--India has already reacted negatively--and the future course of the negotiations with the EEC will therefore depend to a considerable degree on Macmillan's success in convincing the other prime ministers in September that he has bargained effectively in protecting Commonwealth interests. While the Six have proved adept in finding formulas to meet Britain's needs, they have also shown remarkable solidarity in the last nine months of negotiations in defending what they consider the basic principles of the EEC. The EEC Commission, for example, strongly supported the French maneuver regarding the agricultural fund because it is anxious to reduce the extent to which the community budget must rely on national contributions. Therefore, should London decide to present requests for major new concessions next autumn, the accession talks might well drag on for many more months.

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

The deteriorating economic situation in Kenya will complicate and may even upset Britain's methodical preparation of the colony for independence. African land-hunger and unemployment are growing, while European farmers and businessmen who fear a future African government are leaving the country. Political activity has been retarded and little progress has been made toward writing a new constitution. However, intertribal tensions and interparty disputes have been kept to a minimum, and the African moderates have not yet been seriously challenged by extremists.

Kenya's economy is in a steady though no longer dramatic decline, particularly in agriculture. The departure of several hundred European farmers has thrown thousands of Africans out of work; these tend to migrate to the cities where unemployment is already a serious problem. Some 70,000 Africans--over 10 percent of the labor force--are now unemployed, and in some tribal areas they may join with existing groups of unemployable toughs to terrorize the countryside.

London is willing to embark on a \$40,000,000, five-year program to buy some 1,000,000 acres of farmland from European owners for African resettlement. The impact

of such a program would be slow, however, on both unemployment and on Kenya's overall financial problems. African farmers, with limited capital, are not likely soon to make up for the loss of foreign exchange and the general decline in economic activity. A Kenya government commission is now touring Europe in an effort to attract some \$15,000,000 in immediate assistance.

The visit of the then British Colonial Secretary Maudling in July resulted in considerable agreement on the steps in Kenya's political evolution. Present plans call for the introduction of a new constitution--based on the framework agreed on in London last spring--and a series of elections to various legislative bodies in 1963. There is then to be a period during which control of foreign affairs, defense and internal security will be reserved to the governor before full independence, which may occur as early as mid-1963. Meanwhile the two main African parties are joined in a coalition government under the dual leadership of Jomo Kenyatta and Ronald Ngala, with Tom Mboya, an intelligent moderate, playing a major role as minister of labor. However, the parties' disagreement over the question of tribal and regional power remains unresolved.

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AFGHAN-PAKISTANI DISPUTE

The Shah of Iran has made no headway in his effort to mediate the Afghan-Pakistani dispute. The negotiating positions of the Afghan and Pakistani Governments seem to be farther apart and more unyielding than before the Shah offered his good offices.

tials of their position while concentrating on finding ways to make it easier for Pakistan to make concessions.

Kabul holds that the restoration of its consulates and trade offices is not negotiable but is a condition for the normalization of relations and for reopening the border to shipments transiting Pakistan. Afghan Foreign Minister Naim says his government would agree to stop anti-Pakistan propaganda while negotiating on giving Pakistan's Pushtoon tribes the right of self-determination. Ayub regards such assurances as worthless, however, and would not agree to negotiate on the fate of Pakistan's tribes in any event.

Ayub seems to believe that Afghanistan's interest in reaching an agreement through the Shah's good offices demonstrates the effectiveness of Pakistan's hard line. He has made it clear that any major concessions must come from the Afghans.

The Afghans are proving equally intractable. They are maintaining the basic essen-

Both sides may continue diplomatic gestures in the mistaken belief that the other may be willing to make substantial concessions. The Shah and the Afghans still appear to hope that negotiations on the language of a joint declaration of intentions will facilitate an agreement, and further talks between the two countries are being considered.

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IRAQ: THE KURDISH REBELLION

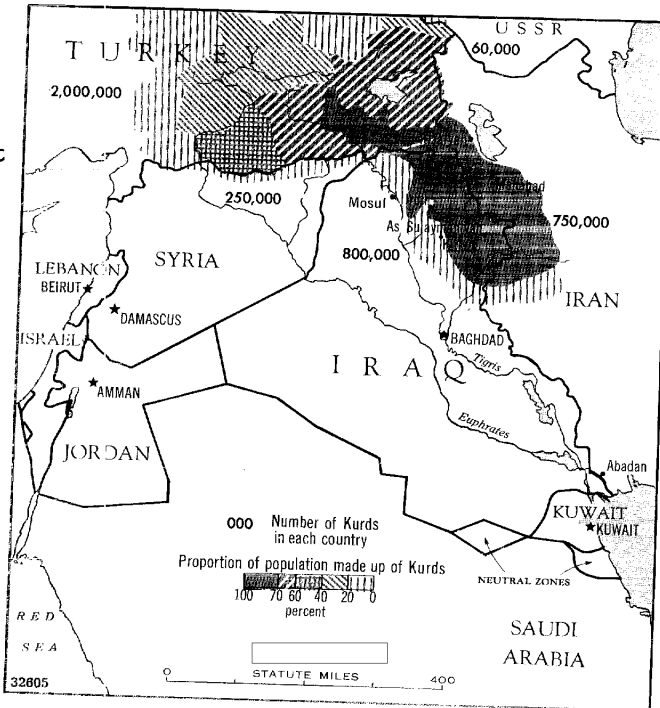
During the past 18 months the Kurdish rebellion led by Mulla Mustafa al-Barzani has gradually changed from an insurrection sparked by discrimination against the Kurds by the Iraqi Government to a nationalist movement fighting for the independence of Kurdistan. At present the movement is free from foreign domination, although the Kurds admit they would accept material aid from any source and have approached the American, British, and Soviet embassies in Baghdad.

and maintain a tenuous control over the major connecting roads. The rebels, however, control an increasingly broad strip of mountain territory along the Turkish and Iranian borders. During the next few weeks they may maintain their hold on the northern part of the Mosul and Irbil areas and expand their range of control in the area north and east of Sulaymaniyah. Qasim's defense council is reported to be making plans for a new offensive.

~~Qasim's failure to crush Barzani has led to unrest in~~

The change, to a large extent, has been brought about by Barzani's successes in frustrating the Iraqi Army's year-long punitive campaign and its extensive indiscriminate bombings of Kurdish villages, which have turned many neutral Kurds against the government. Also, Barzani's success in eluding the army, trapping isolated units, and even ambushing army columns as large as a battalion has resulted in a "band-wagon" movement among the Kurds. There have been many desertions from Iraqi army and security force units, and the rebels have captured substantial quantities of weapons and ammunition.

The Iraqi regime, which has committed about 30,000 men, nearly half its army, in the Kurdish campaign, so far has been able to hold the more important cities of northern Iraq



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the Iraqi Army, which is losing face. Even though there is little likelihood that the Kurds can control any area but the mountains, a continuation of the rebel successes might lead disgruntled officers to attempt a coup against Qasim.

The rebellion has faced the Soviet Union with a dilemma. Although it has long fostered the idea of an "independent" Kurdistan under Soviet influence, with the friendly Qasim regime holding power in Baghdad, the USSR has been restrained in its attitude toward the Kurds. Recently, however, Communist propaganda has championed the national rights of the Kurds as Iraqi citizens, and increasingly violent attacks on Qasim's policy of "national extermination" of the Kurds have appeared in Communist pamphlets circulated in Iraq, in the Soviet journal Problems of Peace and Socialism, on the East German secret radio Peyk e Iran--the radio of the Iranian Tudeh party--and on the East German clandestine radio station of the Turkish Communist Party.

Should Qasim be overthrown, the USSR would be likely to follow an even more cautious policy toward both the new regime and the Kurds. Moscow would more openly favor Kurdish

nationalism only if the new regime were avowedly anti-Soviet.

While aware of the recent propaganda attacks, Qasim remains friendly toward Communist bloc governments and blames the "imperialists" for his Kurdish troubles. Some of the Iraqi Arab public, reflecting its pathological Anglophobia, considers Anglo-Soviet cooperation in Kurdistan very real. Other Iraqis see the revolt as a deep plot by Qasim and Barzani.

Iranian officials are showing added concern over the possible unsettling effect in Iran of the Kurdish successes. They fear that Kurdish tribes in Iran, impressed by Barzani's activities, may become restive, or that Barzani forces may attempt to foster political agitation and supply arms to friendly elements in Iran.

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

Political and economic problems that have thus far defied solution by the post-revolutionary government in Turkey may bring on a new crisis in the country's leadership within the next few months. The National Assembly reconvenes on 3 September amid reports of increasing restiveness and criticism throughout the country.

The 78-year-old Inonu, the leader of the governing tripartite coalition, is still the key figure in Turkey's political life. He has the backing of about 270 of the 450 deputies, as a result of the cabinet reshuffle of last June. Like Inonu's previous government, which lasted only six months, the regime has promised extensive economic reform and an ambitious development program. The Five-Year Plan is currently under intensive study, and draft legislation on state enterprises, a revised tax system, minerals exploitation, and customs regulations is being prepared for early submission to the assembly. The numerically strong Justice party (JP), drawn principally from the prerevolutionary Democratic party of Adnan Menderes and no longer a coalition member, will give the opposition greater coherence and force. The JP can be expected to attack the government for its inability to solve Turkey's economic problems, and probably will seek to force new national elections.

The opposition also will seek to profit from popular disillusionment with the government and the demonstrated lessening of popular respect for authority. Lawlessness and rowdiness are increasing; labor groups, and at least one prominent newspaper, have openly criticized top government leaders; government-employed laborers have gone on strike for the first time in Turkish history; and rioters in several localities have turned on the gendarmerie and had to be dispersed with bayonets.

The military establishment which provides the regime's ultimate support is divided in its attitude toward Inonu. The majority of the general staff and top-ranking officers appear still to favor him.

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BRAZIL

The leftist regime of President Goulart is making considerable headway in its drive to re-establish a strong presidency, and Goulart appears increasingly confident of his political strength and military backing. The recently appointed ministers of war, navy and air have all publicly endorsed the government's call for an early plebiscite on abolition of the parliamentary system established last September and a return to a strong presidency. Prime Minister Brochado da Rocha, who is expected within the next few days to ask congress to grant the early plebiscite, is acting as an agent of Goulart rather than as a defender of the parliamentary system to which he owes his post.

On 7 August the US Embassy learned that leaders of the two largest parties in congress have agreed firmly to reject granting the cabinet "any but absolutely necessary powers" and not to countenance an early plebiscite. However, the embassy believes the congressional leaders may be overestimating their ability to withstand Goulart's maneuvers.

Certain armed forces leaders, several governors including anti-Communist Carlos Lacerda of Guanabara, and probably a majority of the congress

remain strongly opposed to Goulart.

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Food shortages and serious inflation are causing considerable public dissatisfaction, and there is a growing tendency to blame the country's economic problems on the weaknesses of the parliamentary system of government. Shortages of prime staples have occurred in major cities throughout the country but have been particularly acute in Rio de Janeiro, capital of Guanabara State,

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deterioration of the free exchange rate for the cruzeiro by some 20 percent in recent weeks probably reflects not only a continuing rise in the cost of living--which went up 18 percent in the first six months of the year--but also a certain amount of capital flight.

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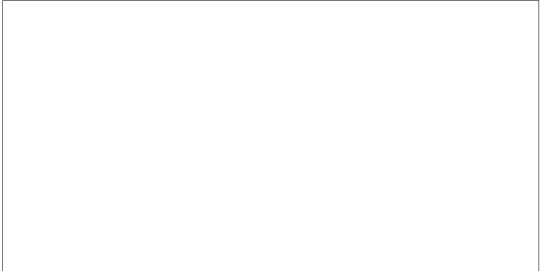
ARGENTINA

Secretary of War General Juan Bautista Loza was forced to resign on 8 August when many of the army commanders and the navy and air force refused to back him in a showdown with General Federico Toranzo Montero. Minister of Defense Jose Luis Cantilo has been appointed acting secretary of war pending the designation of a new secretary by the rebellious generals. Inspector General of Logistics Juan Carlos Reyes, who also called for Loza's resignation, has been prominently mentioned as a possible successor.

The present crisis was touched off early on 8 August when General Federico Toranzo Montero, commander of the 4th Army Corps in the northern province of Salta, established himself in neighboring Jujuy and advised President Guido that he refused to recognize the authority of General Loza as secretary of war. Loza immediately declared Toranzo in rebellion and relieved him of his command.

There have been rumors of army dissatisfaction with Loza in recent days. The dissatisfaction apparently stems from Loza's retention of personal control over the army as secretary of war and acting commander-in-chief, the return to active duty of officers of Peronist inclination, and Loza's management of army personnel and policy. While the present crisis appears to be an internal squabble within the army and not directed at the Guido government, there is a danger that would-be "golpistas" might seize upon

the opportunity to attempt an overthrow of the government.

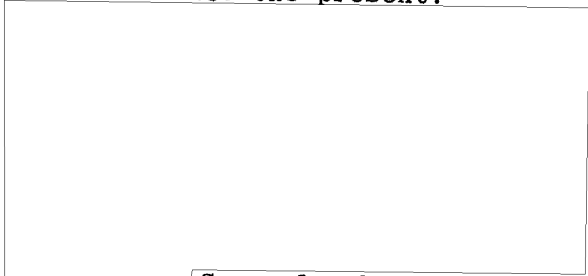


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The military may also be concerned over a 2 August announcement in Moscow by a leading Argentine Communist that the Peronists and Communists are in alliance against the Guido government and the Alliance for Progress. Ambassador McClintock on 7 August reported some of the "most responsible" Argentine business people now argue that the only solution is a military coup and a military government for an extended period of time until the country can be "properly prepared" to return to a constitutional government.

Observers believe that Loza's resignation will settle the matter for the present.

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Several embassy sources have indicated that the ouster of Alsogaray may be imminent.

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SPECIAL ARTICLES

THE CHINESE COMMUNIST AIR FORCE

Prior to the defeat of the Nationalist forces and their withdrawal to Taiwan in 1949, the Chinese Communists had virtually no air force, although they are believed to have established an air school in Manchuria using captured Japanese equipment. With the formal establishment of the Chinese People's Republic on 1 October 1949, the Air Force of the People's Liberation Army was created. It is likely that some provision for the expansion and modernization of the embryonic air force was made in the Sino-Soviet aid treaty signed in Moscow on 14 February 1950.

The virtual annihilation of the North Korean forces prior to the Chinese Communist entry into the Korean conflict in October 1950 probably accelerated the development of Chinese Communist air power. In any case, by March of the following year the initial stages of expansion were apparent. Training units had been established and a number of tactical air units had appeared at various airfields throughout China. These units were equipped with Soviet aircraft including certain World War II piston fighters such as the LA-9 (Fritz), LA-11 (Fang), and some World War II bombers--TU-2's (Bats). The then

modern MIG-15 (Fagot) jet fighter was also noted. The introduction of these aircraft brought in numerous Soviet personnel who were assigned at practically all levels of the air force.

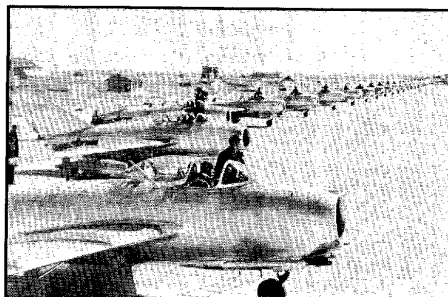
Expansion and Development

By 1952, IL-28 (Beagle) jet light bombers were being introduced in the Chinese Communist Air Force (CCAF). In 1953, a few TU-4 (Bull) piston medium bombers were received from the USSR. By 1955 the CCAF was estimated to have about 1100 jet fighters, and in that year the number of IL-28's was doubled from about 150 to over 300. A large number of these bombers, probably about 90, were given to the Chinese Communists in 1955 when the Soviets withdrew from Port Arthur.

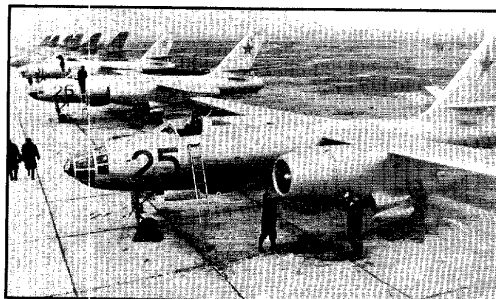
The year 1955 was also significant in that airfield construction was begun on a fairly large scale, particularly in the Taiwan Strait coastal area. Two airfields--Luchiao and Chuhsien--were completed and occupied by tactical units, and jet bombers were deployed to the Shanghai area for the first time.

By April 1956, approximately 100 MIG-17 (Fresco) jet fighters

PRINCIPAL CHINESE COMMUNIST MILITARY AIRCRAFT



MIG JET FIGHTERS



IL-28 (BEAGLE) JET LIGHT BOMBERS

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had been brought into the air force, which had by this time become the fourth largest air force in the world. The last piston engine fighter unit--the 26th Division located in south China--began receiving MIG-type fighters.

Retrenchment and Deficiency

The decline in Chinese Communist air power probably

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had its earliest beginning when deliveries of new Soviet aircraft ceased sometime in 1959. However, it was not in evidence until after mid-1960 when Soviet aid and technical assistance were withdrawn. An indication that all was not well in the air force was contained in an official document published by the General Political Department of the People's Liberation Army in January 1961. This document reported the proceedings of the 8th plenary session of the Party Committee for the Air Force held between 25 November and 9 December 1960 in Hsian. The report stated that the "size of organization of the units and schools at the various levels of the air force is still too large and it is necessary to reduce their size in order to strengthen the basic level." Although it was pointed out that this retrenchment would primarily involve "colleges and schools" and particularly "airfields and air stations with no flying units," it was also clear that following "the 50-percent reduction achieved in 1958," units under the direct command of the air force headquarters were to be reduced by a further 20 percent and reductions in corps and divisions were to be 15 and 10 percent respectively.

A collection of speeches given by the inspector general of the armed forces, Yeh Chien-ying, appeared in the June 1961 issue of the General Political Department publication. In one of his speeches delivered to an air force training conference, Yeh stated that "the air force needs more flights but cannot afford them. The fact is, maintenance of material and equipment cannot catch up with the training needs. One of the reasons for this is the low standard of our national defense industry." Another reason cited by Yeh is "our low level of technique, our backwardness in the quantity and quality of re-

pair, loose control, incompetent systems, and serious losses."

Yeh urged more ground training and the establishment of such conditions "as to make ground training seem like aerial exercises." He also pointed out that actual air training, although brief, should be made as realistic as possible.

This retrenchment and re-organization indicated that the air force was tightening its belt and was going to attempt to get the maximum use from its equipment with a minimum of wear and tear. 25X1

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Operational Effectiveness

Despite its many problems the CCAF is still (an) impressive force numerically, with over 2000 jet fighters and 325 jet light bombers. But numbers alone do not determine the capability of China's air arm.

The most serious challenge to the CCAF occurred during the Taiwan Strait crisis of 1958. At that time the CCAF was probably at its peak. Many of its aircraft, supplied by the USSR, were relatively new. Still the score of kills in combat was over 30 to one in favor of the Nationalists. Chiang Kai-shek's pilots who were involved in these aerial encounters attributed the high Communist losses to inadequate training in air tactics, poor aircraft handling, and pilot confusion. Following this overwhelming defeat, the Communists apparently attempted to remedy many of their shortcomings by improved training. 25X1

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In sum, the modernization and re-equipment program of both the fighter and bomber elements of the Chinese Communist Air Force, which made great strides during the 1950's, began to slow down in 1958 and probably ceased in mid-1960 when political differences resulted in the withdrawal of Soviet technicians and the virtual termination of Soviet aid. Although the Soviets have provided substantial numbers of new-generation fighters to the European satellites, and even some fairly late-model fighters and bombers to the UAR and Indonesia, the Chinese Communists have received only a few MIG-19 jet fighters, their most modern jet fighter. The Chinese Communist bomber force still has two divisions and an independent regiment of obsolete TU-2 piston bombers. Another division has a large number of IL-10 (Beast) World War II ground attack bombers. Despite deliveries of the relatively modern TU-16 jet medium bomber to countries outside the bloc, Communist China is known to have only two. The remaining long-range bombers in Peiping's inventory consist of not more than 15 obsolete and probably worn out TU-4 piston bombers. Unless Soviet aid is reinstated and China's economy permits resumption of domestic military aircraft production, the size and effectiveness of the CCAF will continue the deterioration which began at least by mid-1960.

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