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17 August 1962

CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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State Dept. review completed

GROUP 1
Excluded from automatic
downgrading and
declassification.

ARMY review(s) completed.

37-228522/2

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THE WEEK IN BRIEF
(Information as of 1200 EDT 16 Aug)

SOVIET FOREIGN POLICY DEVELOPMENTS Page 1

Moscow's heavy coverage of the manned space flights completely overshadowed the Berlin and German questions last week. The USSR and East Germany adopted a generally defensive posture in connection with the first anniversary of the Berlin wall on 13 August. There were no major political pronouncements and no military demonstrations. The Communists attempted through diplomatic protests and propaganda to place the blame for the wall and attendant tensions on the West. Despite the continuing war of nerves over the possibility of early action on a separate peace treaty, the Soviets and East Germans reiterated their preference for a negotiated settlement and hinted at flexibility on the crucial issue of the presence of Western forces in West Berlin. At Geneva, the Soviet delegate formally rejected the new US test-ban proposals.

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LAOS Page 3

Souvanna has proposed nine sites for the International Control Commission inspection teams that are to be "in place" by 6 September, but he has not yet obtained Pathet Lao acquiescence. Friction between Souvanna and Pathet Lao leader Souphannouvong appears to be increasing over a variety of issues.

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WEST NEW GUINEA Page 5

The signing on 15 August of a Dutch-Indonesian agreement on West New Guinea removes the danger of major hostilities. Small-scale Indonesian infiltrations may continue, however, and major assault forces continue to stand by in East Indonesia. Recent infiltrations have boosted Indonesian forces in New Guinea to about 1,000 men. Djakarta is anxious to increase its military presence in New Guinea before an interim UN administration takes over this October. Authority is to be transferred to Indonesia next May.

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CONGO Page 6

Western European nations are lukewarm toward the plan to induce Tshombé--if necessary by economic sanctions--to rejoin the Congo. While the Europeans agree with the plan's objectives, they are not prepared to use economic coercion to ensure its success. Press reports of these reservations have probably encouraged Tshombé to resist. Official Katangan reaction to the sanctions already applied by Adoula has been mild, and Tshombé continues to stress his readiness to discuss "reasonable solutions." Sporadic fighting has apparently broken out in Northern Katanga.

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ALGERIA Page 7

Attempts by Ben Bella's political bureau to select candidates for the 2 September elections and to assert civilian control over the Algerian National Army are being resisted by the commanders of the military regions. Although a showdown with army leaders appears inevitable, Ben Bella will probably seek to avoid bringing the issue to a head until after the elections. [redacted]

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KHRUSHCHEV PROMOTES MODERN APARTMENT CONSTRUCTION Page 8

Khrushchev is stepping up modern apartment construction as the most economical and ideologically desirable way to alleviate the Soviet housing shortage. A decree published on 7 August cuts off single-unit housing construction in major cities and advances multi-story cooperative apartments which make maximum use of scarce land and facilitate social control. For some time Khrushchev has urged Soviet designers to adopt a simpler, more functional style along Western lines and has tried to modernize the population's taste for the ornate in architecture. [redacted]

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BIRTH CONTROL IN COMMUNIST CHINA Page 10

The reappearance of propaganda endorsing birth control underscores Peiping's anxiety about its long-term economic problems, in particular the failure of production to keep pace with population growth. Even though an earlier birth control campaign was abandoned in 1958 during the "leap forward," the population is probably increasing less rapidly than in the past because of the effect of deteriorating dietary and health standards on death rates. [redacted]

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THE INDIAN-CHINESE BORDER DISPUTE. Page 11

The Indian Government is apparently re-examining its policies regarding its border dispute with Communist China. It has already retreated from its aggressive military posture in Ladakh [redacted]

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[redacted] Nehru is still demanding, however, that Chinese forces withdraw from the territory they occupy in Ladakh before formal negotiations begin. [redacted]

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DEVELOPMENTS IN FINLAND Page 14

Finland's four-month-old coalition cabinet is having difficulties as a result of differences over domestic policies and the dissatisfaction of the smaller coalition parties with the actions of the dominant Agrarian party. A number of controversial internal issues, together with the growing restiveness of labor, will test the ability of the governing parties to hold together in the coming weeks. Foreign policy issues have not figured prominently in intra-cabinet bickering, and President Kekkonen apparently continues to handle in person the more sensitive problems arising in Soviet-Finnish relations. [redacted] 25X1

ARGENTINA Page 16

The overthrow of the Guido government by a group of military officers headed by General Federico Toranzo Montero appears to be imminent. Key factors in the success or failure of this group will be Toranzo Montero's ability to assume command of the First Army Corps and the amount of support he is able to command within the military. The plotters may feel encouraged to carry out their plans by press reports that the US will recognize the military junta of Peru which came to power four weeks ago. [redacted] 25X1

BRAZIL Page 18

Intense political maneuvering is continuing in Brasilia as the leftist Goulart regime attempts to increase its power vis-a-vis the conservative congress. Many moderates in political and military circles dislike the parliamentary system but are uneasy over moves to restore a strong presidency because of the leftist tendencies of President Goulart. Preoccupation with domestic politics is preventing any substantial criticism of several new moves in Brazil's "independent" foreign policy. Meanwhile, the country's financial situation has deteriorated. [redacted] 25X1

HAITIAN DICTATOR ACTS TO PREVENT HIS OUSTER. Page 19

Haitian President Duvalier has for the moment staved off the threat to his dictatorship presented by plotting in the regular armed forces. Militia units loyal to him have been concentrated at key points throughout the capital, and appear to be in full control. [redacted] 25X1

MEXICAN GOVERNMENT CONCERN OVER COMMUNIST ACTIVITIES Page 20

The Mexican Government is becoming more sensitive to Communist activities and has displayed increased energy in controlling them. [redacted] 25X1

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[redacted] the investigation of Communist activities brought to light during preparations for President Kennedy's visit is evidently continuing. The government has also encouraged the removal of influential Communist-controlled labor leaders and has confiscated Communist propaganda from Latin Americans passing through Mexico en route home from Cuba [redacted]

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PANAMA SEEKS INTERNATIONAL SUPPORT FOR CANAL ZONE DEMANDS. Page 21

The foreign ministers of two other Latin American countries have issued public statements supporting Panama's claims of sovereignty in the Canal Zone. This apparently reflects efforts by Panama to obtain Latin American backing in its current discussions with the US, and may be followed by similar expressions of solidarity from other governments. Panama is expected to raise the issue at the UN. [redacted]

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THE SITUATION IN SURINAM Page 22

The political and economic situation in Surinam is deteriorating. The three-party coalition government functions poorly under irresponsible leadership, racial tension between the Creoles and the East Indians is growing, Communist influence is on the increase, and the country appears to be on the verge of an economic recession. The political unrest is reflected in the rapid multiplication of parties over the past year. Surinam wants considerably more financial and technical assistance than is available from the Netherlands or other sources at the moment, and frustration in realizing the country's development potential could provoke dangerous anti-Western attitudes, especially in view of the heterogeneous character of the population [redacted]

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SPECIAL ARTICLES

BRITAIN AND THE COMMON MARKET. A STATUS REPORT Page 1

When the talks on Britain's application for Common Market (EEC) membership adjourned on 5 August for approximately two months, detailed agreements were still lacking on a number of major issues--including aspects of the difficult Commonwealth and agricultural problems. Other problems, such as institutional adjustments, had scarcely been discussed. Nevertheless, the past nine months of hard bargaining have largely established the feasibility of Britain's EEC membership and produced a broad understanding on the adjustments which will be required. Although formal accession remains many months away, neither side would now lightly accept responsibility for blocking a final agreement. [redacted]

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AUSTRIAN DEVELOPMENTS Page 6

The Austrian political scene is currently dominated by the Common Market issue. The EEC Council on 20 July heard Vienna's case for an associative tie; formal negotiations will not begin before late fall and are expected to

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be long and difficult. Chancellor Gorbach and Foreign Minister Kreisky believe their recent visits to Moscow and Paris have improved the prospects for obtaining such an EEC tie. While there is as yet no significant disagreement between the two coalition parties on the Common Market question, interparty friction has increased as a result of labor unrest and other economic difficulties, and parliamentary elections have been moved up from May to November. [redacted]

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BLOC AID AND TRADE PROGRAM IN AFRICA Page 9

Despite occasional setbacks--notably in the Congo and in Guinea--the Sino-Soviet bloc's aid and trade program in Africa continues to expand. Its greatest successes have been in the field of civil aviation, but agricultural aid has been stressed and some priority is given to development of transportation facilities. Preliminary surveys on a number of projects are nearing completion, and the next six months should see an acceleration in delivery of materials as construction begins. Trade continues to rise, because the bloc takes raw materials which face stiff competition in free markets and provides equipment and materials needed in African development programs. [redacted]

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WEEKLY REVIEW

SOVIET FOREIGN POLICY DEVELOPMENTS

Vostok Flights

Moscow's voluminous coverage of the Vostok III and IV flights completely overshadowed Berlin, Germany, and all other foreign policy issues last week. Although the USSR did not attempt to define the political and military implications of its latest space achievements, an East German commentator said they "give an inkling" of the power facing the "cold warriors" if they should take the "ultimate risk." The Soviet army newspaper Red Star claimed that the orbiting of two cosmonauts shows that "no matter what efforts the US makes," the gap between it and the USSR, "far from being narrowed, is widening."

The main theme of Soviet propaganda has been to contrast the USSR's program for "peaceful exploration of space" with US actions, such as the "criminal explosions" of nuclear weapons in space, the launching of "spy satellites," and alleged plans to establish military bases in space. Moscow radio also repeated the standard claim that the Vostok flights provide new proof of the superiority of the socialist system over capitalism. Soviet propaganda has contended that the USSR is doing everything to establish cooperation with the US in exploring space for peaceful purposes and has expressed regret that this cooperation has not been achieved, implying that the US is solely to blame.

Berlin and Germany

The USSR and East Germany adopted a generally defensive posture in connection with the first anniversary of the Berlin

wall on 13 August. There were no major political pronouncements and no military parades or demonstrations in the Berlin area. There was a sharp increase, however, in East German security forces and patrols along the Berlin sector and zonal border. These forces were held in a high state of readiness as a precaution against any antiregime demonstrations or any disturbances emanating from West Berlin.

Bloc diplomatic and propaganda treatment of the anniversary was intended primarily to underline the Communists' contention that the West is solely responsible for the tensions and threats to peace which made the wall necessary and which point up the urgency of a Berlin settlement. Moscow sent notes to the three Western powers on 10 August which repeated propaganda charges that West Berlin authorities, in collusion with the West Germans, were preparing new provocations against the GDR timed to coincide with the 13 August anniversary. The notes contended that the Western "occupation powers" in West Berlin not only sanctioned but encouraged these provocations and concluded with the standard warning that the USSR will hold the West fully responsible for the consequences. The East Germans also made public notes addressed to the three Western powers, via Prague, protesting West German President Luebke's appearance in West Berlin for anniversary ceremonies.

The persistent buildup of Communist diplomatic and propaganda charges that the "occupation forces" in West Berlin are responsible for the increasing "acts of aggression" against the GDR could provide the background for new Soviet or East German moves in reaction to

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the incidents in West Berlin on 13 August. These included the stoning and harassment of Soviet vehicles carrying soldiers to the Soviet war memorial in West Berlin. New measures could go beyond diplomatic protests and might include threats to close all or part of the East-West Berlin sector border to Allied military traffic.

Separate Treaty Threats

The Soviets and East Germans are maintaining their war of nerves over the possibility of early action on a separate peace treaty. The Soviet chargé in Sofia told a US Legation officer on 9 August that unless the US is willing to make concessions, the Soviet Union will not delay signing a treaty much longer. *Izvestia* published an article by GDR First Deputy Premier Stoph on 9 August which stated that the "events of the last few weeks and months" made it clear that the conclusion of a treaty "must not be further postponed." In a speech on the anniversary of the Berlin Wall, East German Deputy Foreign Minister Winzer warned that the West would have to realize that negotiations "cannot be protracted endlessly" and that the "day is approaching when the peace treaty will be concluded." However, he reaffirmed the GDR's interest in a negotiated settlement and recalled bloc proposals to replace the occupation troops in West Berlin with forces of four smaller Warsaw Pact and NATO countries under UN auspices, or with troops of neutral countries.

Despite these continuing threats of imminent unilateral action, the Soviet press and radio continue to stress Moscow's preference for a negotiated settlement. *Pravda* on 10 August reiterated the standard formula that a peace treaty would be signed only after "all possibilities of agreement on this question with the West have been exhausted." The visit of the commander of Soviet forces in East Germany, General Yakubovskiy, to General Freeman in Heidelberg and Ambassador Dobrynin's recent talks with Secretary Rusk have been reported in a positive fashion, but without comment. The US Embassy in Moscow observes that this treatment bolsters the "quiescent impression" being given Soviet read-

ers and contrasts with the impression of impending crisis being generated by the Western press.

Disarmament

In his address before the 17-nation disarmament conference on 14 August, First Deputy Foreign Minister Kuznetsov, who has replaced Zorin as the chief of the Soviet delegation, formally rejected the new US proposals and asserted that the eight-nation neutralist memorandum should be the basis for further discussion. At the 9 August meeting of the Big-Three test-ban subcommittee, Zorin had charged that the US was engaged in a tactical maneuver and that its alleged concessions merely concealed an intention to hold further atomic tests. Zorin concluded that the next task of the nuclear powers was to get agreement "on a basis for negotiations" and then go on to a consideration of practical details.

As the time for recessing the disarmament conference draws closer the Soviets are mainly interested in undercutting any buildup of support for the new US position and are apparently concentrating on convincing neutral opinion that the US initiatives do not go far enough, hoping thereby to place the USSR in the best possible position for the anticipated discussions on testing and disarmament at the 17th UN General Assembly sessions. They probably are aware of an Indian draft "compromise" test-ban treaty being circulated among the neutral delegates and will probably postpone any move until they can determine what support it receives. In an earlier discussion on the first stage of a disarmament treaty, Zorin attempted to give some impression of movement by asserting that the US position on the problems of verification of agreed arms cuts and the limitation of arms production was now closer to the Soviet proposal. He reiterated Moscow's demand for complete destruction for all means of delivery of nuclear weapons during the first stage, however, and maintained that the US concept of zonal inspection would pave the way toward a disclosure of the entire military potential of the Soviet Union.

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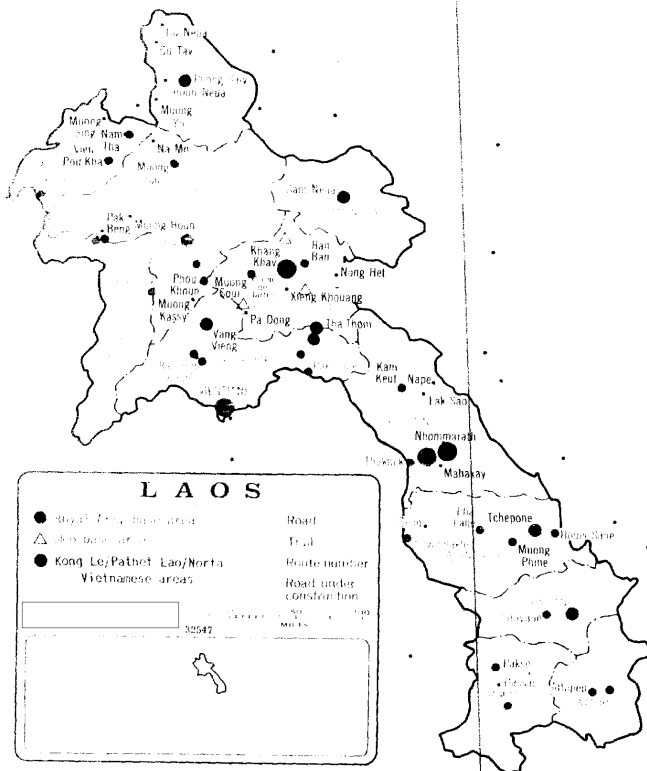
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LAOS

Souvanna has proposed that International Control Commission (ICC) inspection teams be placed at nine points along key routes leading out of Laos in order to supervise the withdrawal of foreign forces. Pathet Lao leader Souphannouvong has yet to ap-

prove the location of such teams in Pathet Lao - controlled territory. The Geneva accords stipulate that the ICC teams are to be "in place" by 6 September. Foreign troops--with the exception of a French training mission--must be withdrawn within the following thirty days.



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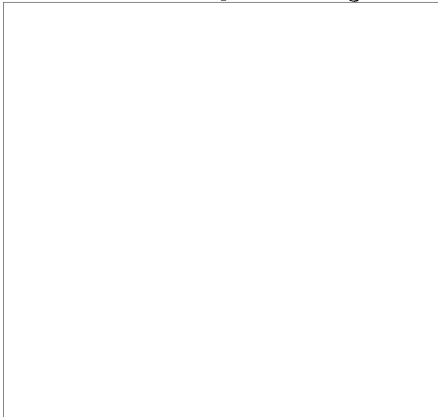
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Withdrawal of North Vietnamese troops, if carried out, would probably occur before the placement of ICC inspection teams.

On the domestic political scene there is increasing evidence of friction between Souvanna and Souphannouvong.

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Souvanna's relations with Phoumi, on the other hand, appear to be considerably im-

proved. Phoumi on 11 August told Ambassador Unger that in recent conversations with Souvanna there had emerged "large areas" of agreement. Phoumi cited specifically Souvanna's willingness to support his new political organization--a movement designed to unite all non-Communist factions--and to permit the continuation of airdrops of nonmilitary supplies to Phoumi guerrilla units scattered throughout northeastern Laos.

The military situation remains generally quiet. A Phoumi military post in Sayaboury Province west of Luang Prabang was attacked and overrun by an undetermined number of Pathet Lao troops on 9-10 August. A Lao aircraft which attempted to locate the company-size garrison was hit twice by ground fire on 10 August. Although sporadic skirmishing is the present pattern in Laos, this action occurred in Vientiane-controlled territory which had previously been quiet.

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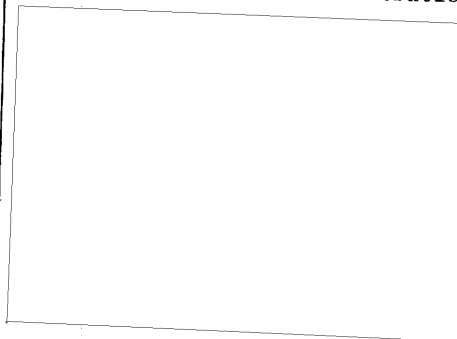
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WEST NEW GUINEA

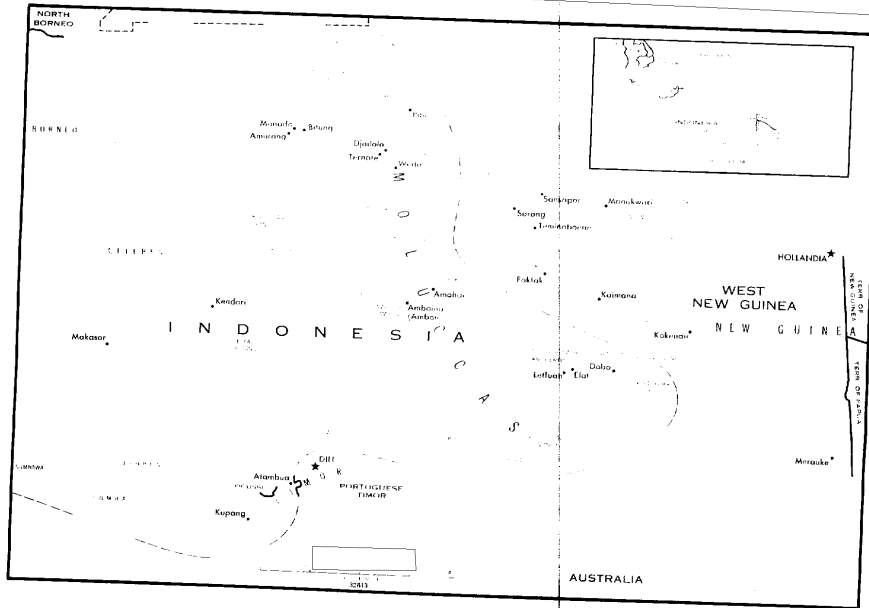
Despite threatened last-minute hitches, a formal agreement on West New Guinea was signed by Indonesian and Dutch representatives in New York on 15 August. The agreement calls for an immediate cease-fire in the territory. An interim UN administration, to be established in October, is to lead to a transfer of authority to Indonesia on 1 May 1963. Provision has been made for the symbolic flying of the Indonesian flag along with the UN standard, beginning 31 December. During the interim administration, a UN force of about 1,000 men will provide security.

Indonesian airborne and amphibious landings last week at scattered points on West New Guinea have probably more than doubled the estimated 300 to 500 troops still at large from earlier infiltrations. Although these new operations have resulted in some clashes with Dutch security forces, Indonesian troops apparently are under orders to avoid engagement. Their mission appears to be simply to await the change of administration.

While the settlement removes the danger of large-scale hostilities, Indonesian infiltrations seem likely to continue. Djakarta's intention has been to introduce as many troops as possible on the assumption that they will be used by the UN.



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CONGO

Western European nations have been lukewarm toward the UN-US plan to promote Congo unification by resorting to economic boycott and sanctions against Katanga if President Tshombé's regime continues its secessionist stand. Brussels has indicated that it agrees with the plan's objectives, but Foreign Minister Spaak has demanded adequate UN protection for the Union Minière's Katanga properties before cooperating in economic sanctions. His government is under fire from the Belgian press for its reported participation in the plan.

London has accepted the "Proposal for National Reconciliation," but has so many reservations about the accompanying "Course of Action" that it has refused even to join in presenting the latter document to Adoula. Britain remains opposed to any actions which imply the use of force. London has stated, however, that if economic sanctions were applied against Katanga by other countries, it would not oppose them and would probably limit imports of Katangan copper to the average of the last three years in order to "preserve the stability of the London metal market." Paris similarly is not prepared to participate in the plan, but will not oppose it and appears willing to limit copper imports to present levels. Press reports of the European reservations, as well as Adoula's attempt to apply such sanctions as the closing of Elisabethville airport and the suspension of Katanga's telecommunications with foreign countries, have lessened the chances of Tshombé's acceptance.

Belgium has urged Adoula to suspend application of these sanctions, which actually are having little effect on Katanga. Sabena is flying to Ndola, within easy reach of Elisabethville,

and the Belgian telecommunications agency is still handling Elisabethville traffic. Adoula has told the US ambassador that he would have preferred acting in line with a Western program for reintegrating Katanga, but felt that he had to move quickly to bolster his political position.

Official Katangan reaction to the Adoula decrees has been relatively mild. Tshombé's government continues to stress its readiness to discuss "reasonable solutions" despite the central government's latest pressure tactics. At the same time, however, it has introduced a new diversionary proposal for the establishment of a "tripartite" commission of experts designated by Leopoldville, Elisabethville and the UN to develop a federal constitution. This proposal ignored Adoula's recent request for UN assistance in drafting such a new constitution.

There are increasing indications that the central government may soon attempt to force Tshombé's troops to withdraw from Kongolo, a strategic transport center in northern Katanga, where they are isolated. Within the past few weeks Congolese army units in northern Katanga were reinforced with a battalion flown in from Stanleyville, and Air Congo made frequent flights carrying equipment from the Leopoldville supply area to Albertville. Leopoldville Vice Premier Sendwe has informed the US Embassy that he is going to Albertville on 18 August "to put an end to the Kongolo problem." He said he did not wish to "make war," but is determined to resolve the problem and restore transport and communications lines linking northern Katanga with the rest of the Congo. Sporadic and inconclusive fighting has apparently broken out in some other areas of northern Katanga.

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ALGERIA

Attempts by the political bureau controlled by Ben Bella to select candidates for the 2 September elections and to assert civilian control over the Algerian National Army (ALN) are being resisted by the commanders of the military regions (Wilayas). Although a showdown with army leaders appears to be inevitable, Ben Bella will probably seek to avoid bringing the issue to a head until after the elections.

Mohamed Khider, Ben Bella's top assistant, on 10 August announced plans to reorganize the ALN and adapt it to peacetime conditions.

Boumedienne--who arrived in Algiers on 15 August--is more reasonable than some of his subordinates and may be given a high position in the new Algerian government. Yazid feels, however, that extremist officers will continue to be troublesome.

Ben Bella is said to be acutely aware of the economic chaos and political disorder in Algeria, and to be determined to re-establish order.

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His task will be more difficult, however, because of the precipitate withdrawal of the French administration, which in many areas left with everything that could be carried. Algerian officials, especially in the countryside, are handicapped by lack of files, typewriters, and other basic equipment.

French Foreign Minister Couve de Murville told Ambassador Gavin on 10 August that he felt stories in the US press describing Ben Bella as another Castro were "quite overdrawn." Couve added, however, that Ben Bella and the other Algerian leaders were not economists and did not know how to conduct government affairs. Couve also said that in refusing a loan at this time to Algeria, the French were using "a little blackmail" to convince the Algerian leaders that they must cease fighting among themselves and take responsibility for conducting the affairs of their country.

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At the same time, according to PAG Information Minister Yazid, Ben Bella is taking measures to contain the political ambitions of the central staff officers. Yazid says that

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KHRUSHCHEV PROMOTES MODERN APARTMENT CONSTRUCTION

Khrushchev is stepping up modern apartment construction in the USSR for both ideological and economic reasons. A decree published on 7 August stops single-unit housing construction in major cities and promotes multi-story cooperative apartments as a partial substitute. Last week Khrushchev himself authorized the construction of buildings of fourteen stories or more as part of the twenty-year development plan for Moscow. For some time he has been promoting four- or five-story apartment houses as the fastest and cheapest way to alleviate the housing shortage in the cities and bring urban comforts to the countryside.

The 7 August decree cuts off allocations of land and state credits to individual builders in the capitals of the fifteen republics and gives the republic governments the right to discontinue such allocations in other cities. As a partial substitute, state construction organizations are to mass-produce standardized apartments for housing cooperatives. The members of the cooperative must make a 40-percent down payment on the building cost and repay the remaining 60 percent covered by state credits in 10 to 15 years.

The state is apparently contemplating a limited shift to cooperatives at this time. Cooperative housing planned for 1963-65 is equivalent to only 12.5 percent of the private housing originally scheduled for this period. State construction facilities, faced with serious technical problems and material shortages, will be hard put to take on even this limited additional burden.

The Kremlin has always preferred large-scale communal housing on ideological grounds because it facilitates state control and reduces corruption

and real estate speculation. Several republics have recently taken steps to confiscate expensive private houses built or bought with illegally obtained funds and materials.

Perhaps more important, Khrushchev regards multistory buildings as the most economical way to provide promised housing and cultural facilities. The Kremlin is also increasingly recognizing the importance of city planning and the necessity of making maximum use of available land.

These decisions are another aspect of the revolution which Khrushchev has brought to Soviet architecture. In 1954-55 he took a strong stand against the ornate, heavy style dubbed "Stalinist gothic" which had prevailed since the 1930s. "Inverted chandeliers" like Moscow State University were condemned as being pompous and unnecessarily tall. A party-government decree denounced architectural "excesses, eclecticism, and formalism" and espoused a simpler, more functional style. In the following years the Kremlin insisted that its architects design standardized buildings which could be constructed fast, cheaply, and by mass-scale industrial methods making maximum use of large prefabricated concrete panels. The more talented designers soon began to resent the resulting sacrifice of style and individual expression. They also worried about the poor esthetic and psychological effects of the dreary uniform apartment blocks--jokingly nicknamed "Khrushchev's slums"--which circle many cities.

Gradually voices have been raised against the monotony and unoriginality of Soviet architecture. In 1960 some formerly taboo Western architectural theories were praised and the first national conference of city planners was held. In May 1961 the old guard of the influential Architects'

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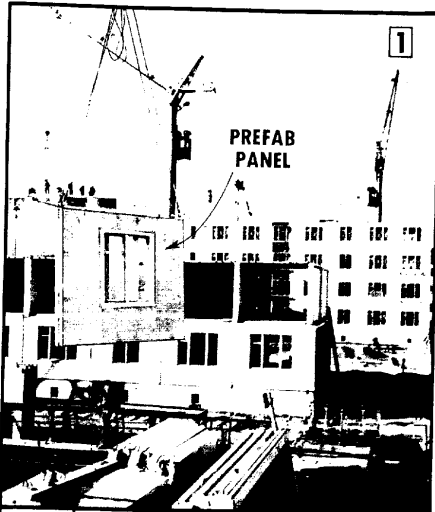
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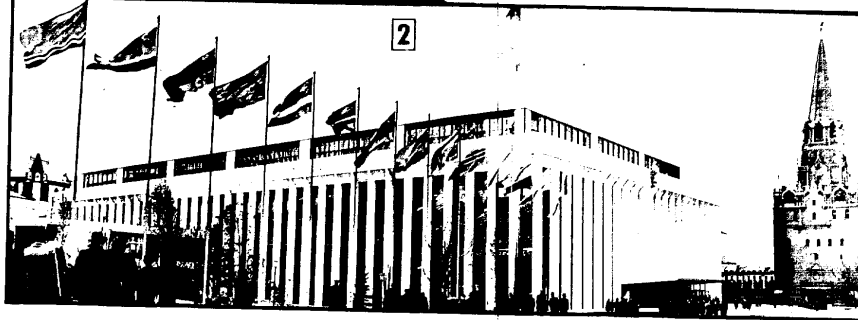
**CURRENT SOVIET
ARCHITECTURAL
DESIGN AND CONSTRUCTION**

1 USE OF PREFABRICATED
CONCRETE PANELS IN NEW
APARTMENT CONSTRUCTION

2 THE NEW KREMLIN
PALACE OF CONGRESSES
(Completed Oct. 1961)

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Union was replaced by more progressive men. Architects have recently called for a greater variety of standard designs, building heights, and finishes.

The first products of these changes are already visible in Moscow. The new Palace of Congresses, standing alongside the onion-domed cathedrals in the Kremlin, and the Palace of Young Pioneers--praised by Khrushchev for its architectural style--are modern glass-and-concrete structures with indirect lighting and free-form pools.

The struggle to define and achieve a satisfactory style of contemporary Soviet architecture

is far from won, however. The new trends are quietly opposed not only by conservative architects but by local officials and the population at large, who still retain their eminently Victorian taste for heavy opulence. The regime is also concerned lest Soviet architects go overboard for Western styles instead of creating a style which can be propagandized as a socialist and national achievement. Moreover, the regime faces serious difficulties in isolating the modern approaches advocated in architecture from painting and literature--fields where contemporary Western influences are still discouraged.

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BIRTH CONTROL IN COMMUNIST CHINA

The recent resurgence of Chinese Communist propaganda endorsing birth control points up Peiping's reappraisal of its policy toward population growth in the face of a stagnant economy and a steadily declining per capita output in agriculture.

Propaganda in magazines appearing since the beginning of this year urges restrictions on family size by the relatively noncontroversial method of delaying marriages. Minimum ages of 23-27 for females and 25-29 for males are suggested, as compared with the current legal minimum ages of 18 and 20 respectively. Recent articles also give a full and graphic description of contraceptive techniques which can be employed to overcome the "evils of early marriage."

The current campaign has not yet reached the intensity of the 1956-58 campaign, which was abandoned when it seemed to conflict with the induced optimism of the ill-fated "leap forward." After several years of professed confidence that economic growth would far outstrip China's population increase, the Communists feel defensive about propaganda implying that this earlier optimism was ill-founded. In addition, there is evidence that the regime is embarrassed by the difficulties of reconciling birth

control propaganda with Marx's invective against "bourgeois" overpopulation theories.

The return of birth control as an officially endorsed policy would be further evidence that the regime is facing up to the long-term implications of its current economic problems. With responsibility for a population numbering over 700 million and growing annually by 11 to 14 million people, the Chinese leadership can hardly ignore the strain on the currently stagnant economy. Grain production in the last three years has remained close to the 1957 level, but the addition of roughly 75 million mouths to feed since that year has caused a significant reduction in the per capita availability of food, despite imports of grain from the West.

While a birth control program, if energetically prosecuted, might lower the birth rate somewhat in urban areas, it probably would have little effect among the peasants, who make up the bulk of the population. A more significant limitation on the rate of population growth is probably the rising death rate that has followed the deterioration of dietary and general health standards. This, together with a slight fall in the fertility rate because of the effects of malnutrition, is believed to have reduced the annual rate of growth in the Chinese population from about 2.5 percent prior to 1959 to 1.5-2 percent. Any recovery in agriculture would contribute to a return to a higher rate because an improved food situation would be conducive to lower mortality levels.

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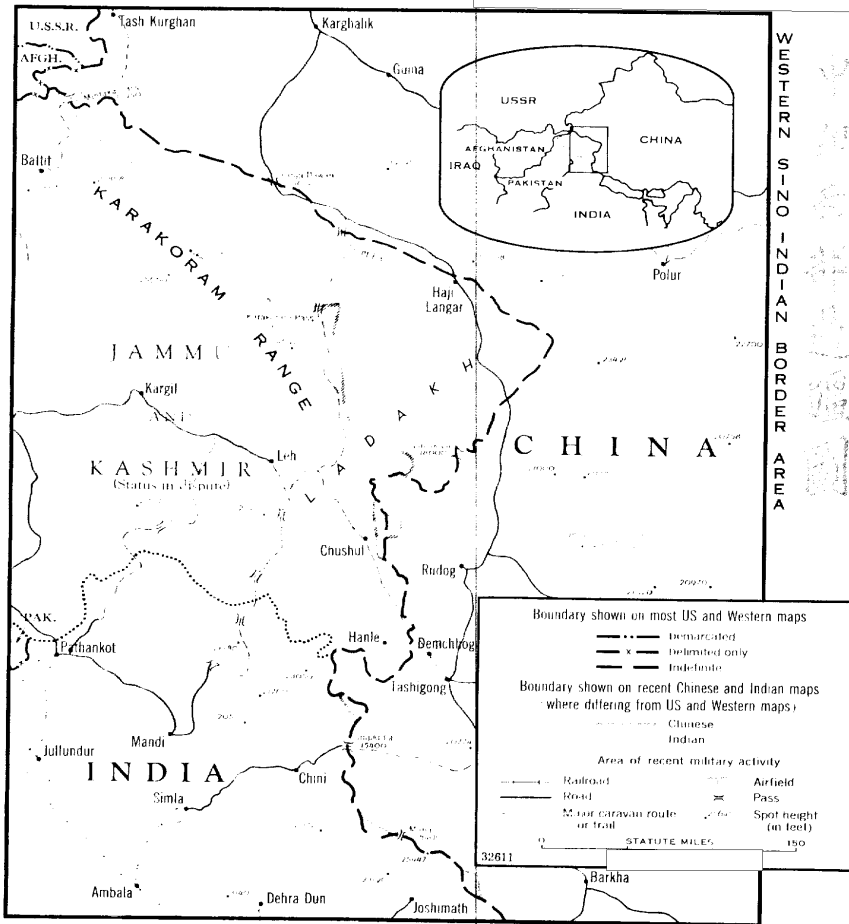
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THE INDIAN-CHINESE BORDER DISPUTE

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New Delhi appears to be re-examining its policies with regard to Communist China in the light of recent developments on the border in Ladakh and recent conversations with the

Chinese in Geneva.



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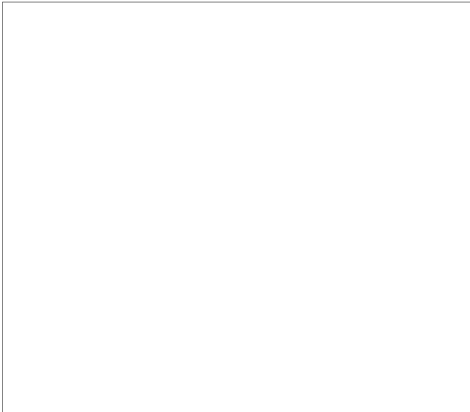
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create a climate conducive to fruitful negotiations. He again drew India's time-worn distinction between "talks" on matters of procedure and formal "negotiations" on matters of substance, indicating that while India favors "talks" at any time, "negotiations" aimed at concluding an overall border settlement would still be conditional on the Chinese "vacating their aggression."

Nehru also spoke generally of changing India's diplomatic tactics on the border issue. He felt that once a military disengagement had been achieved, it would be possible to engage the Chinese in talks, possibly for as long as "five or six years." His subsequent remarks in answer to parliamentary criticism suggest that such talks would merely explore further ways to reduce tensions and to

The Chinese will probably welcome the kind of de facto truce outlined by Nehru. They have long sought to bring the Indians into negotiations on the basis of the status quo, and they seized eagerly on India's suggestion on 26 July that further talks be held. However, the Chinese will undoubtedly continue to reject Indian conditions for formal boundary negotiations just as they have twice rejected Nehru's proposal to reduce tensions by a mutual withdrawal from the disputed area in Ladakh.

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DEVELOPMENTS IN FINLAND

Finland's four-month-old coalition cabinet faces a period of internal tensions as a result of differences over domestic policies and the dissatisfaction of the smaller coalition members with the actions of the dominant Agrarian party. Controversial issues such as agricultural income legislation and the language law, along with the growing restiveness of labor, will test the ability of the governing parties to hold together in the coming weeks. Foreign policy issues have not figured prominently in this intracabinet bickering, and President Kekkonen apparently continues to handle in person the more sensitive problems arising in Soviet-Finnish relations.

At the root of much of the tension is the dissatisfaction of the three smaller "bourgeois" parties and the representatives of labor in the cabinet with their Agrarian partners. The Agrarians, who enjoy the direct support and confidence of President Kekkonen--a former Agrarian party leader himself--have been accused of acting in a highhanded manner by seeking to force cabinet members belonging to the smaller parties to support legislation which may be unpopular with their followers. These parties largely represent urban dwellers unsympathetic to the Agrarian party's objectives, which are centered on furthering the in-

terests of proprietors of small and middle-size farms. Earlier this summer a government bill on agricultural income was defeated. Since early August, parliament has been in special session to consider a compromise bill worked out by the Agrarians and the opposition Communists. The Agrarians, however, again face the possibility of defections from the ranks of the coalition parties once the bill comes up for consideration in parliament. Even the deputy minister of agriculture--a non-Agrarian--has publicly announced his opposition. If the Agrarians are unable to obtain passage because of these defections, a further strain will be placed on the already shaky coalition.

Another major issue confronting the government is the long-debated language law establishing permanent bilinguality in certain cities with relatively large Swedish-speaking minorities. When parliament, on 13 June, rejected an amendment to the Language Law of 1922 proposed by the Swedish Peoples Party, the Swedes threatened to withdraw their two ministers from the government if their coalition partners did not support them. Subsequently, the government indicated its willingness to meet some of the demands of the Swedes on this question, but there is uncertainty about whether the amended bill will receive the necessary parliamentary support.

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On the labor scene, the government must try to persuade the trade unions to hold their demands to a minimum in the wage contracts to be negotiated during the next five months. Representatives of the labor unions have clearly indicated restiveness over the rising price level and, in addition, feel themselves in a stronger position than usual due to the full employment situation. Government leaders may find it difficult to persuade the three representatives of the central labor federation in the coalition to accept a moderate wage formula in view of the continuing rivalry between the two national labor federations. Confronted by a choice of supporting the position of the government or the trade unions, the labor representatives in all likelihood would resign, thus freeing their followers to take strike action or any other measures the union leadership decides upon.

In foreign relations the government faces a period of lively diplomatic activity with Moscow in the coming months. Soviet Army Chief of Staff General Zakharov is currently visiting Finland and the occasion may be used to conclude an arms purchase agreement which has been under consideration. Negotiations also have been resumed on leasing the Soviet portion of the Saimaa

Canal and an agreement is expected shortly. Although there is no firm evidence that Moscow is pressuring Finland to recognize East Germany, Finnish officials probably expect such pressure if the Soviet Union decides to call for a general peace conference on Germany. This period of diplomatic activity will reach a high point with President Kekkonen's 10-17 October visit to the Soviet Union.

In its relations with the West, the most pressing problem confronting Finland is the need to work out an arrangement with the Common Market. Unlike the neutrals, Finland has not applied for association with the EEC and it is expected to continue to play a passive role in this matter until the results of the Swedish, Austrian, and Swiss negotiations are known. Although there are no indications yet that President Kekkonen intends to raise this matter during his visit to the Soviet Union, he probably is under pressure from Finnish industrial and business groups to feel out the Russians in order to determine the kind of Finnish arrangement with the EEC which Moscow would tolerate.

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ARGENTINA

The overthrow of the Guido government by a group of military officers headed by General Federico Toranzo Montero appears to be imminent. The key to the success or failure of this group depends on whether or not rebel leader Toranzo Montero is able to take command of the First Army Corps located at Palermo on the outskirts of Buenos Aires, and the amount of support he is able to command within the military. According to press reports, a number of officers at Salta--headquarters of the Fourth Army Corps which the rebel general still commands--have rejected the authority of the rebel faction. This group may attempt to prevent Toranzo Montero from returning to Buenos Aires and assuming command of the First Army Corps. General Carlos Caro, former commander of the Campo de Mayo garrison which supported the government in last week's crisis, told Ambassador McClintock on 15 August that he doubts whether supporters of Toranzo Montero who have been appointed to key garrisons and divisions will be able to muster the support of field grade officers should they attempt a coup.

General Toranzo Montero and his group of "golpistas" may, as a result of recent press reports that the US is about to recognize the military junta in Peru, feel that they have nothing to lose in ousting the Guido

regime in favor of a military junta which would proclaim itself anti-Communist and pro-West.

Involvement of high-ranking navy officers in the planned rebellion was revealed by retired Admiral Rojas, who told Ambassador McClintock on 14 August that the plot to overthrow the government had naval approval.

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President Guido is attempting to hold his cabinet together in the face of pressure to force the resignation of a number of key cabinet officials. Guido accepted the resignation of Defense Minister Cantilo on 15 August. Cantilo had been attacked for "inept handling" of last week's crisis. Interior Minister Adrogué has "provisionally" accepted the defense portfolio but his hold on both his positions is weak. Foreign Minister Bonaficio Del Carril has submitted his resignation but President Guido refuses to accept it. Minister of Economy Alsogaray has incurred the wrath of many military officers for his attacks on their actions in last week's revolt, and he may tender his resignation if a solution to the political and military crisis is not reached in the near future.

The government is also faced with a serious electric power shortage and a potentially serious labor conflict. A fire

at the Dock Sud Power Plant has resulted in a power shortage affecting approximately half of the southern Buenos Aires - La Plata urban area. Inhabitants in a 60-kilometer area are without lights, refrigeration, and an adequate water supply. Schools are closed and industrial plants employing approximately 250,000 workers are idle.

Labor contract negotiations involving seven meat packing companies are deadlocked and a complete shutdown of Argentina's meat packing plants may come next week. The meat packers' union has begun a series of daily strikes, to increase one hour each day with complete stoppage scheduled for 16 August. The strikes are to be followed by a takeover of the plants by the workers. The government has warned labor leaders in the past that any attempt by the workers to occupy industrial plants would result in harsh penal sentences.

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BRAZIL

Intense political maneuvering is continuing in Brasilia as the leftist Goulart regime attempts to increase its power vis-a-vis the conservative congress. Many moderates in political and military circles dislike the parliamentary system but are uneasy over moves to restore a strong presidency because of the leftist tendencies of President Goulart and Prime Minister Francisco Brochado da Rocha. Both supporters and opponents of the administration are continuing to line up military support for their respective positions.

Brochado da Rocha--who acts as an agent of Goulart rather than as an independent executive--is threatening to resign in a clash with congress over his request for a delegation of substantial legislative power to the executive and for a plebiscite on the parliamentary system. Most observers in Brazil believe that such a plebiscite would result in a return to a strong presidency.

Governors of 21 Brazilian states, who are meeting in Brasilia this week, may help work out some compromise between Goulart and congress.

The congressmen are intent on returning to their home districts to campaign for the October elections. They may accept some compromise, particularly in regard to the plebiscite, to avoid a new government crisis, but they will probably attempt to limit the scope of any delegation of legislative powers.

The Brazilian Communist party may shortly be declared legal by the Supreme Electoral Court. Such a decision would

increase apprehension in Brazil over the orientation of the government.

Preoccupation with domestic politics appears to be preventing any substantial criticism of several new moves in Brazil's "independent" foreign policy. East German Foreign Trade Minister Balkow--the first high East German official to visit the American continent--recently visited Brazil to open a three-week East German industrial exhibition in Sao Paulo. Poland in late July opened a new consulate in Porto Alegre, capital of Rio Grande do Sul State where Goulart's brother-in-law Leonel Brizola is governor.

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Meanwhile, Goulart--who has little knowledge or interest in economics--is said to be concerned over Brazil's critical financial situation. In recent weeks the gap has widened rapidly and substantially between the official exchange rate of about 355 cruzeiros to the dollar and the freely fluctuating tourist rate which is now almost 600. Recent reports indicate that the cost of living, which rose 18 percent in Rio de Janeiro in the first six months of 1962, was up 37 percent for the same period in Salvador, capital of Bahia and a key city in Brazil's impoverished northeast.

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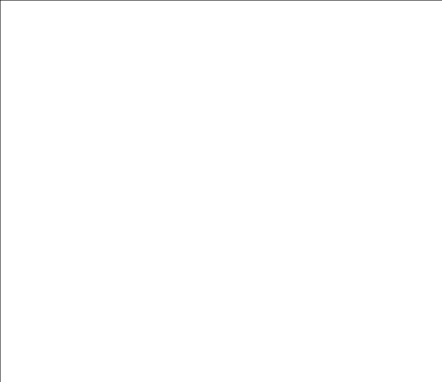
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HAITIAN DICTATOR ACTS TO PREVENT HIS OUSTER

Haitian President Duvalier's dictatorship has for the moment averted a serious threat arising from the conflicts between the President and the regular armed forces, but military plotting probably continues.



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Duvalier, since he came to power in 1957, has been organizing the civil militia as a loyal group to serve his own purposes.

At the moment Duvalier appears to have the upper hand. Local units of militia occupy the palace, and provincial militia units are situated on the outskirts of the capital. A final government move to destroy the regular forces or to integrate the enlisted men into the militia might be attempted at any time with little if any warning.

Support for the Duvalier regime is now reduced to the militia, a few hundred armed retainers, possibly the regular army presidential guard battalion, and a small group of advisers made up of spiritual cultists, opportunists, and extreme leftists. Opposition permeates the regular officer corps of the armed forces, much of the civil officialdom, and virtually all of the business class.

In order to complete the arming of his militia, Duvalier may recently have obtained some arms from abroad, possibly from the Soviet bloc. According to US military observers in Port-au-Prince, civil militiamen on 3 August were maintaining unusually strict guard on the wharf there to protect packing cases bearing Czech markings. The appearance of the cases coincides with a remark reportedly made by an army officer in good standing with Duvalier that he was training militiamen in the use of new submachine guns.

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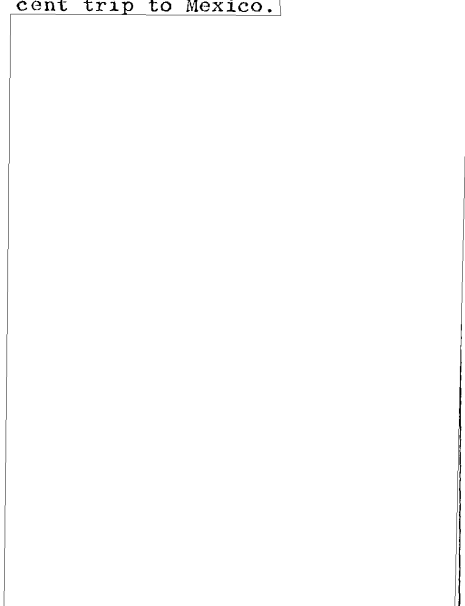
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MEXICAN GOVERNMENT CONCERN OVER COMMUNIST ACTIVITIES

The Mexican Government is still concerned over pro-Communist activities brought to light during the investigations of groups that were planning to disturb President Kennedy's recent trip to Mexico.

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investigation of Communist activities, the planning chief of the Ministry of Public Works reportedly was arrested last week on charges of involvement in publishing an inflammatory antiadministration, anti-US pamphlet which has been circulating for some months. In addition, the government is believed to have actively encouraged the recent replacement of Communist-controlled leaders in important teachers' and telephone workers' unions.

In early August, Mexican police seized more than 150 pounds of Communist propaganda material from students returning from 26th of July celebrations in Cuba to their homes in Chile, Argentina, Brazil, Guatemala, Bolivia, and Venezuela. Mexico is an important transit point for most Latin American travelers to Cuba, but until recently the government scrupulously adhered to its policy of not interfering with anyone whose activities were not an obvious threat to Mexican law and order.

In a move apparently related to the government's continuing

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PANAMA SEEKS INTERNATIONAL SUPPORT FOR CANAL ZONE DEMANDS

The Panamanian Government apparently is seeking public support from other Latin American countries for its claim to sovereignty over the Canal Zone. On 10 August Costa Rican Foreign Minister Oduber told a press conference in Panama City that his country would give immediate support to any Panamanian demand for complete sovereignty. He also was quoted as saying "regarding problems of the Zone, it is Panama which decides..." Oduber's statement apparently was part of an effort to convince Panama that its political interest can be served best by closer cooperation with the Central American countries. A similar stand was taken two days later by the Chilean foreign minister, also at a press conference in Panama, when he reaffirmed what he termed Chile's policy of full solidarity with Panama's aspirations.

The US Embassy in Panama City notes that this is the first time high officials of other Latin American governments have made such statements. It anticipates further efforts by Panama to obtain international support, both in individual countries and at inter-American and international meetings. Strong ef-

forts have been made to obtain support for the Panamanian position from delegates to an inter-American journalists' conference now meeting in Panama City.

The issue may be pressed at the UN by delegate Aquilino Boyd, the former foreign minister who led a group which destroyed a US flag during the riots near the borders of the Zone in November 1959. While he was chairman of the National Assembly's foreign relations committee in the fall of 1961, Boyd started a campaign among other Latin American legislators for support of Panamanian demands for revision of the canal treaty. Boyd is politically ambitious and may plan to use the UN as a means of enhancing his position as a Panamanian nationalist and presidential candidate.

On 10 August President Chiari told newsmen that Panama is not progressing as fast as it wishes in meetings of the commission set up during his visit to Washington in June to discuss Panamanian-US relations in the Zone. The Panamanian Government probably feels that support from other governments will strengthen its position in the discussions.

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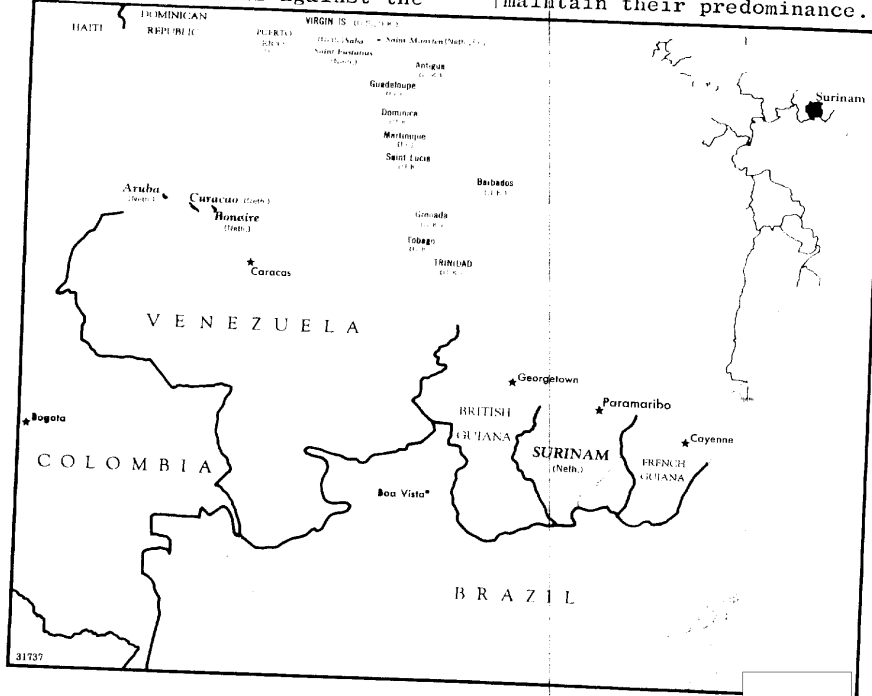
THE SITUATION IN SURINAM

The political and economic situation in Surinam is beginning to deteriorate at an increasing rate. Interparty and intra-party bickering has reached such proportions that the normal day-to-day operations of the three-party coalition government are seriously impaired. Parliamentary and cabinet meetings are taken up with quarrels between irresponsible leaders whose constant maneuvers for personal and political advantage are stimulating unrest and undermining confidence in the government. Antagonism between the dominant Creole and Hindustani elements is stiffening and the possibility of maintaining a harmonious political relationship between the two races is becoming more remote.

The government's financial position is steadily weakening. Exports are shrinking, capital is beginning to move out of the country, and the stability of the guilder, the Surinam monetary unit, is declining. External aid is urgently needed, and much of the growing bitterness against the

Dutch arises from the belief that Dutch officials have not been sufficiently active in procuring outside funds for development.

Political divisions in Surinam are drawn along racial, and to some extent, religious lines. The Creoles (Negro and European mixture) and the East Indians are the most politically conscious groups. The third largest group, the Indonesians (mainly Moslems), is relatively inactive politically. Of the total registered voting population of 177,000 the Creoles constitute 40 percent, the Hindustani 35 percent, and the Javanese 20 percent. Although the Creoles are the dominant force, they are divided by factionalism, and their power position is threatened by the more energetic and more prosperous Hindustanis. In time the East Indians will become the predominant group politically as well as numerically, in the meantime the Creoles are using every means available to maintain their predominance.



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The present government is a coalition of two Creole factions, the Catholic party and the National Party of Surinam, and the Hindustani party. The coalition holds 17 of the 21 seats in parliament, and though it functions poorly, is likely to continue until the 1963 elections as the politicians prefer to cling to office.

The political unrest is reflected in the rapid multiplication of parties over the past year. Last November there were eight political parties, today there are thirteen. While many of these are splinter groups, such as the United Indian Party organized last July from the nomadic and scanty survivors of the original Indian population, their disgruntled following may be large enough to shift a significant amount of support away from the major political groups in the 1963 elections to the disadvantage of the coalition. If present efforts to raise the number of parliamentary seats from 21 to 43 succeed, some of the splinter parties as well as the Communists will probably gain representation.

While there is no overt Communist activity in Surinam, the number of front organizations has been growing in size and influence. Small groups on the extreme left, mostly darker Creoles and younger people, especially students, form the nucleus of a pro-Communist anti-Western movement. Last winter the Nationalistic Republic Party was organized by E. Bruma, a prominent lawyer and crypto Communist. This party consists of a small group of intellectuals at the top supported by a mass of under-privileged dark Creoles with a strong racial bias against the more prosperous Hindustanis. According to the consulate general, it is becoming an important Communist-front organization with a sizable body of support and a wide mass appeal. Its members could be easily incited to mob action should the occasion offer.

After years of indifference, Surinam's interest in British

Guiana has become very lively. Jagan's election last August deeply stirred the Surinam East Indians, who are seeking to establish their own regime free of Creole and Dutch control. In this event, Surinam would be likely to move closer to British Guiana and adopt a neutralist position in the East-West struggle. The East Indians are less loyal to Western concepts than the Creoles, who remain basically pro-Western.

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Dutch influence in Surinam is waning rapidly. The population no longer looks to Holland for guidance and especially in economic matters is displaying an attitude of independence. The productive sector of the economy is based on one commodity--bauxite--which provides 80 percent of exports and exchange earnings. Even slight fluctuations in the world market are immediately felt, and a marked downturn would have serious consequences. Bauxite earnings for the first six months of 1962 are estimated to have declined \$1.5 million. Surinam wants considerably more financial and technical assistance than is available from Holland, particularly for "social" development and diversification of economic activity. Frustration in efforts to realize the country's development potential could provoke dangerous anti-Western attitudes, especially in view of the heterogeneous character of the population. A strong upsurge of nationalism swept the previous Surinam government out of office in 1958, and this might be repeated in 1963.

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SPECIAL ARTICLES

BRITAIN AND THE COMMON MARKET: A STATUS REPORT

When the talks on Britain's application for Common Market (EEC) membership adjourned on 5 August for approximately two months, detailed agreements were still lacking on a number of major issues. Among these were various facets of the Commonwealth agricultural problem, financial aspects of the EEC's common agricultural policy, and Britain's request for no duties on certain key import items. Still other problems, such as institutional adjustments, had scarcely been discussed. Nevertheless, the past nine months of hard bargaining have largely established the feasibility of Britain's EEC membership and produced a general understanding of the arrangements which would be required. While formal accession is still many months away, the negotiations have now reached a point where neither side would lightly accept the responsibility for failure to conclude an agreement.

The General Blueprint

In broad outline, the prospective accession agreement is based on Britain's acceptance of all the major features of the Common Market. In return, London has received EEC commitments, more or less firm, to a broad range of special provisions regarding Britain's future commercial relations with the other members of the Commonwealth. London has also persuaded the EEC to modify somewhat the administration of its common agricultural policy.

London, which had originally viewed EEC arrangements as involving too many limitations on British sovereignty, in effect conceded its acceptance of the EEC treaty a year ago when it applied for membership under the relevant treaty provision. This was subsequently confirmed

in the initial presentation of Britain's case last October when Lord Privy Seal Heath declared that London was "ready to subscribe fully" to the Common Market's aims, to play its full part in the EEC's institutions, and--assuming "some adjustments" consequent to the admission of a new member--to accept the "structure" of the EEC's common external tariff.

Tariff Adjustments

With respect to the customs union aspects of the EEC, London will therefore ultimately align its tariff practices with those of the Common Market. Beyond that, Heath has committed Britain on entering the EEC to "catch up" with the tariff adjustments already effected by the present members. Should entry occur after 1 July 1963--which is likely--this will mean an immediate 60-percent reduction in Britain's tariffs toward the other Common Market countries. It will also mean that with respect to non-EEC countries, excepting those belonging to the Commonwealth, Britain will eliminate 60 percent of the difference between its present national tariff rates and those projected by the EEC in its common external tariff.

EEC Economic and Social Provisions

London has also accepted the so-called economic and social provisions of the EEC treaty. These are the articles which look toward full economic union of the member countries, providing for example for the regulation of cartels and monopolies; free movement of labor, capital, and entrepreneurs; coordination of economic and fiscal policies; and the institution of a common commercial policy. In his October statement, Heath requested joint examination of the numerous

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decisions which have already been taken pursuant to these articles. While some technical problems have been turned up-- e.g., concerning social security for migrant workers--Heath nevertheless affirmed at the ministerial session on 29-30 May that London would encounter no major difficulties in making the necessary adaptations in its present practices.

Britain's Domestic Agriculture

London's acceptance of EEC internal policy includes also the common agricultural policy which was adopted by the Common Market last January only after prolonged debate.

The common agricultural policy relies heavily on the device of variable import levies to keep EEC farm prices above the world price and to protect the community producer. This approach is sharply at variance with London's present policy of retaining relatively unrestricted access to the world food market while supporting farmers' incomes with deficiency payments. In consequence, Britain's food prices have remained substantially below the Continent's, and an essential feature of its farm program is the annual review to determine the needed level of farm income support.

While accepting the objectives of the common agricultural policy London initially requested a lengthy transitional period in moving toward its application in Britain and bargained hard for introduction of the concept of the annual review. It contended not only that the EEC's system would involve difficult adjustments for the British farmer, but also questioned whether the common policy--relying on the restriction of imports--would guarantee farm incomes if, through the addition of new members such as Denmark, the EEC should increase its self-sufficiency in

farm products. In the latter event, the British held, member states would need to retain the possibility of providing direct income support.

Provision for Annual Agricultural Review

The compromise eventually worked out on this issue appears to concede more to the form than to the substance of the British position. No provision has been made for an extended transitional period, and the review system adopted has been placed in a firm community framework. On the basis of reviews conducted by the national governments, the EEC's independent executive commission has been directed to report annually to the EEC Council on the general agricultural situation in the community. Should this review disclose that farmers are not receiving a "fair standard of living," then it would be the commission's responsibility to propose remedial action to the council, the latter making its decision in accordance with the voting rules set forth in the EEC treaty.

Agricultural Program Financing

An important aspect of farm policy not yet settled is Britain's acceptance of the regulations regarding the EEC's agricultural fund. In question is the provision of the common agricultural policy that income from the variable import levies--potentially an immense sum--will ultimately become a part of the community's revenues. Even among the present EEC members, the interpretation of this provision is somewhat in question because an EEC treaty article also provides for a proportional scale of national contributions to the community budget. Since West Germany and the UK are the major European importers of foodstuffs, the prospect arises that their support of the community budget would exceed the ceiling set forth in the treaty. France, on the other hand, is

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potentially the largest recipient of EEC support in financing the disposal of farm surpluses.

It was French attempts to confirm UK (and EEC) acceptance of this provision which led to the 5 August recess of the accession talks. Heath declined to commit himself, whereupon France entered a reservation regarding agricultural arrangements in general.

Commonwealth Arrangements

By far the larger part of the negotiations to date, however, has been concerned with the reconciliation of Britain's commercial relationships with its dependent territories and other Commonwealth countries with the obligations it will assume as an EEC member. The arrangements, insofar as they have been agreed to, are already exceedingly complex, combining provisions for specific products with formulas applicable to groups of products or to one or more territories.

Reduction of EEC Tariffs

In some cases, the difficulty Britain would have in applying the EEC's tariffs to imports of Commonwealth products has been resolved by EEC agreement to abolish tariffs on such items. The abolition of tariffs on tea--a major export of Ceylon and India--is a notable example. In other cases, where the EEC has felt it impossible to eliminate tariffs entirely because of producing interests of its own, Britain has been granted tariff quotas--i.e., been authorized to import specific quantities of goods at low or zero tariff rates from traditional suppliers. Several British requests for tariff adjustments, however, remain outstanding.

Commonwealth Manufactures

With respect to imports of manufactured items from the

developed Commonwealth countries, Canada, Australia, and New Zealand, London has been obliged to agree to apply the EEC's common external tariff, but has been given a transitional period in which to do so. On entering the EEC, Britain will apply 30 percent of the EEC's tariff to such imports; an additional 30 percent will be imposed in 1965; and full EEC rates will become applicable by 1970. Roughly similar arrangements have been made for phased application by Britain of the EEC tariffs to imports of manufactured items from India, Pakistan, and Ceylon. In addition, these three countries will be offered comprehensive trade agreements with the enlarged EEC designed to contribute to their foreign exchange earnings.

Association of Overseas Territories

With respect to the African and Caribbean members of the Commonwealth and to practically all the British colonies, totaling in all 34 territories, the formula of direct EEC association has been chosen. The type of association envisaged will be patterned after the arrangements emerging from the current negotiations between the EEC and the 18 African states linked to the EEC in 1957 by the convention which expires this year. The terms will include tariff-free access to the enlarged Common Market, but the questions of institutional links and economic development assistance have been left open. Association will not be offered to Hong Kong, which is considered a special case, nor to Cyprus, Gibraltar, and Malta, respecting which London will make proposals "in due course." For both political and economic reasons, moreover, association has not been offered the Federation of Rhodesia and Nyasaland.

The Temperate-Zone Farm Products Issue

The Commonwealth package is least precise with respect

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to prospective arrangements for the future exports of temperate-zone farm products of Canada, Australia, and New Zealand. London initially requested EEC assurances that these countries would retain "comparable export outlets"--in effect receive quantitative guarantees. The Common Market steadfastly opposed this approach, however, on the grounds that the Commonwealth could not reasonably expect to receive assurances not enjoyed by EEC farmers themselves nor by other major exporters of farm products--e.g., the US and Argentina. Moreover, the EEC held quota guarantees could not be reconciled with the EEC's common agricultural policy.

Shortly before the adjournment of the Brussels talks, however, the EEC did offer the UK an omnibus proposal which it believes goes far toward meeting London's needs. For an initial period ending no later than 1970, Britain would be authorized--by adjusting the EEC's import levies--to share with the Commonwealth the preferences which the EEC will accord its own farmers. While this privileged position would gradually be phased out, the EEC would consult the Commonwealth regarding remedial measures should a sudden and considerable reduction of Commonwealth exports occur.

EEC Farm Price Policy

The EEC formula takes a dual approach to the longer term problems of the Commonwealth farmer. The enlarged community would commit itself to follow "reasonable" price policies in implementing its common agricultural program. It would discuss those policies with other countries, and would "do its utmost" to contribute to a "satisfactory level" of world trade. Although vague, this commitment is designed to reassure the Commonwealth that

EEC farm prices will not be permitted to rise to such levels that resulting increases in domestic production would convert the EEC from a deficit to a surplus food area.

Long-Term Commodity Agreements

Beyond this commitment, the EEC formula also proposes that by 1963, if possible, international conferences should be called to negotiate multilateral stabilization agreements for many of the major farm commodities. These conferences would seek to regulate price and production policies, stockpiling, and the levels of world trade. Should such agreements not be reached by 1970, then the EEC would seek alternative arrangements, consulting major agricultural producers, including those in the Commonwealth.

Major details are obviously missing in the EEC proposals, and their ultimate acceptability is far from certain. Although they were advanced in the name of the Six, France subsequently reserved its position in the wake of the dispute over the agricultural fund. Since the approach varies so much from Britain's initial demands, Heath has simply "taken note" of it, pending further cabinet and Commonwealth consultations. Nevertheless, given the hard bargaining which has already occurred on the entire issue, it seems unlikely that a new departure will be proposed when negotiations resume.

The Untouched Problems

The heavy concentration so far on Commonwealth and agricultural problems has virtually precluded consideration of other problems, some of which are serious ones. Among these are Britain's commitments to its EFTA partners, its role in community institutions, its applications for EURATOM and CSC

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membership, its participation in the European political union project, and finally, the future of sterling.

The EFTA Problem

The EFTA problem has both legal and political aspects. The EEC treaty requires the members to renounce prior conflicting obligations, which at some point Britain will have to do with respect to the EFTA treaty. London, however, feels itself bound by the June 1961 decision of the EFTA council that the association would be maintained "until satisfactory arrangements have been worked out...to meet the various legitimate interests of all members of EFTA and thus enable them all to participate from the same date in an integrated European market." Of the other EFTA members, Denmark and Norway have applied for EEC membership, but the negotiations are in their earliest stages; the EEC has not yet decided whether to accept the candidacies of Austria, Switzerland, and Sweden for Common Market association. Portugal has yet to indicate what sort of arrangement it will seek with the EEC.

Community Institutions

The consequent uncertainty over the eventual size of the community will complicate the adjustment of EEC institutions to accommodate Britain's membership. Britain will no doubt obtain parity of representation with the larger EEC members in the various community institutions, but the major problem will be the revision of the voting rules applicable to council decisions when less than unanimity is required. The necessary recalculation of what constitutes a majority--especially in those instances where the EEC treaty provides for weighted votes--may accordingly become an important test of London's attitude toward the supranational aspects of the EEC.

Britain's CSC and EURATOM Membership

The processing of Britain's applications for CSC and EURATOM membership has been slow in getting under way. With respect to EURATOM, the potentially most difficult problem is the delineation of EURATOM's jurisdiction in matters of security control and inspection. There

is already a long history of friction between EURATOM and France in drawing a line between the military and nonmilitary aspects of the French nuclear program--only the latter being subject to EURATOM's controls. With respect to the CSC, both West Germany and France are showing concern over prospective competition from Britain's huge, nationalized coal industry. Moreover, Britain's CSC entry will further complicate the community's effort to produce a common energy policy--on which the present members have been deadlocked since 1958.

European Political Union

The maneuvering among the EEC countries in recent months over the political union treaty is also a potential source of trouble for Britain's Common Market accession. The Macmillan government has repeatedly made it clear that it could not now support a federalist European structure, and it remains highly unlikely that the Six either can or will agree within the next few months to a political treaty not acceptable to London. Nevertheless, how to bring Britain into the political talks without giving London a "veto" over the final treaty remains a delicate issue among the Six. Moreover, early agreement on such a treaty would underscore the political as well as the economic aspects of Britain's entry into Europe--an emphasis which London would prefer to avoid.

The Sterling Problem

Finally, it is highly questionable whether both sides can continue to evade serious consideration of the potential impact on the pound of Britain's Common Market entry. Only cursory attention has been given to the balance of payments problems London may face, the EEC's financial and monetary experts are deeply divided in their estimates, and there has been a tendency to consider the problem too sensitive to raise. Beyond that is the question of the future of sterling as an international currency, which is subsumed in part in the even bigger problem of international liquidity. Speculation in EEC circles on the possible need for an eventual pooling of EEC reserves--now roughly equal to those of the US--is indicative of the importance and the difficulty of the issues which could be raised.

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AUSTRIAN DEVELOPMENTS

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The Austrian political scene is currently dominated by the Common Market issue. The EEC Council on 28 July heard Vienna's case for an associative tie; formal negotiations will not begin before late fall and are expected to be long and difficult. Chancellor Gorbach and Foreign Minister Kreisky believe their recent visits to Moscow and Paris have improved the prospects for obtaining such an EEC tie. While there is as yet no significant disagreement between the two coalition parties on the Common Market question, interparty friction has increased as a result of labor unrest and other economic difficulties, and parliamentary elections have been moved up from May to November.

Austria's meeting with the EEC Council on 28 July was in the nature of a preliminary hearing. Its spokesmen, Kreisky and Trade Minister Beck, emphasized Austria's dependence on trade with the six EEC countries--which account for over half of Austria's exports and some 60 percent of its imports--and said it was willing to abide by majority decisions in those institutions to be set up to regulate EEC-neutral state relationships. They insisted, however, that Austria's neutral status necessitated its retaining the right to suspend or cancel its EEC arrangements in certain circumstances.

On their 28 June - 5 July visit to the USSR Gorbach and Kreisky were primarily interested in lessening Soviet opposition to an Austrian-EEC tie. They returned cautiously optimistic that they had been successful. Khrushchev did express strong opposition to full adherence to the EEC by Vienna, but he did not rule out the possibility of some special relationship designed to protect Austrian trade with Western Europe. Austrian authorities realize that the failure of Soviet leaders to be more explicit would mean that further Soviet pressures may be forthcoming, but they feel that for the present they have received tacit approval from Moscow to proceed with negotiations with the EEC.

The Austrian delegation made a particular effort to promote in Moscow an appreciation of Austria's "good will" toward the Soviet bloc. The genial Gorbach, as did his predecessor Raab, attempted to ingratiate himself with Soviet leaders and assure them of Austria's intentions to abide fully by its neutrality. Two days of the visit were devoted to a tour of Siberian industrial installations. During the substantive talks such topics of secondary interest as the long stalled negotiations over Soviet purchase of the revolutionary Austrian "LD" steelmaking

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process received only minimal attention.

Immediately prior to their Moscow visit, Gorbach and Kreisky spent three days in Paris seeking understanding for the Austrian position with regard to the Common Market. In talks with De Gaulle, the Austrian leaders claim they received a definite commitment of French support, but Foreign Ministry officials in Paris remain doubtful that De Gaulle made any pledge beyond the "hope" expressed in the final communiqué that a satisfactory solution to Austrian-EEC relationships might be found. In view of restrictions on Austrian ties with West Germany and continuing difficulties with Italy over the South Tirol, Vienna has been eager to gain French sponsorship for its EEC application.

Although encouraged by the Paris and Moscow talks, Austrian officials appear increasingly aware that negotiations for associative status with the Common Market will be long and difficult. Of the three neutral applicants for such status-- Austria, Sweden and Switzerland-- Austria is receiving the most sympathetic consideration. This circumstance, however, poses difficulties for Austrian leaders who have committed themselves to a common approach to the EEC with the other two neutrals.

South Tirol

An aura of calm has replaced the violence of a year

ago,

[redacted] the Common Market had replaced the South Tirol as the chief Austrian foreign policy problem. Nevertheless, Austria appears little closer to its goal of winning autonomy for the German-speaking residents of the Italian province of Bolzano.

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Last summer's violence has discredited those Austrian groups advocating violence as a means to solve the deadlock. Austrian authorities have announced that the prosecution of persons implicated in acts of violence will continue. Public suspicion is growing, however, following the acquittal of the defendant in the first such trial, that such prosecutions will not be overly zealous because certain high-level government officials have been sympathetic toward the activist cause.

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Domestic Situation

The Common Market question thus far has not been subject to close partisan scrutiny within Austria, though there is pressure from some domestic agricultural and labor groups for special concessions from the Six in connection with any agreement which Austria concludes with the EEC. These pressures will probably center on the study commission which is now formulating a detailed program for the anticipated fall negotiations.

The principal frictions between the two coalition parties, the People's party and the Socialists, center on a mounting wave of strikes, provoked in part by rising prices. Police and customs officials, following warning strikes and slowdowns, have forced the government to grant wage increases for the remainder of the year. Metalworkers, miners, postal employees and doctors also have recently won financial concessions, and professional government personnel are currently negotiating for pay raises. Strong dissatisfaction among farmers over price ceilings on agricultural products has forced Agriculture Minister Hartmann to submit his resignation. In June 1962 the Austrian

cost-of-living index was about seven percent higher than in June 1961.

Gorbach's People's party, which is strongly in favor of the conservative monetary policy of Finance Minister Klaus, has flatly opposed labor's demands. In early July Socialist Minister of Transport Waldbrunner granted postal employees a bonus without interparty consultation, which provoked some People's party groups to demand the immediate dissolution of the government. Gorbach has preferred to let tempers abate, however, and neither party appears ready to assume responsibility for a government collapse at this time.

Both parties have agreed to advance parliamentary elections to 18 November from the constitutional deadline of May 1963. Political observers have conceded the likelihood of a "rough" campaign, but expect little change from the present representation in the Nationalrat in which the People's party holds 79 and the Socialists 78 of a total of 165 seats. Such a result would virtually assure continuance of the coalition, to which the two major parties appear fundamentally committed.

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BLOC AID AND TRADE PROGRAM IN AFRICA*

Despite occasional setbacks--notably in the Congo and in Guinea--the Sino-Soviet bloc's aid and trade program in Africa continues to expand. Since late 1958 the bloc has extended over \$670 million in economic credits to eight African countries and has provided military assistance to Ghana, Guinea, Mali, Morocco, and Algeria.

Almost two thirds of the economic aid has been provided by the USSR to be used in development of agriculture, transportation, communications, light industry, education, and social welfare. Most of it is in the form of general lines of credit ranging from \$35 million to \$100 million, to be repaid over 12-year periods at 2.5-percent interest. The satellites have extended smaller credits, repayable in five to eight years. A large portion of the satellite credits is for financing construction of small-scale light industrial plants. China so far has extended only three credits--to Guinea, Ghana, and Mali--largely for agriculture and small industrial enterprises.

Economic Aid

Africa needs a rapid expansion of agricultural production as well as crop diversification. In deference to this need, bloc assistance includes agricultural machinery and equipment, technicians to advise on agricultural policies or to survey resources and needs, and agricultural training both in the bloc and in the recipient countries.

In Ghana, the USSR and Bulgaria are aiding in the establishment of state farms for the cultivation of rice, corn, legumes and pulses, vegetables, and cotton. Machine and tractor repair workshops are to be set up on two of these farms. In

*The UAR is not included in this survey.

Guinea the USSR has agreed to provide assistance for two rice farms and several dairy farms, and Communist China, despite its own severe agricultural difficulties, has offered to assist in establishing state enterprises for the production of rice and tea. Chinese rice and irrigation experts are also to be used in Mali. In the Somali Republic, Mali, and Ethiopia, the bloc has agreed to set up government farms for raising cotton, oil-bearing seeds, cereal grains, and livestock.

The extent to which the bloc's agricultural techniques are adopted will depend on the success of these ventures, which offer a potential field for considerable bloc influence.

The bloc also appears to be giving some priority to the development of transportation facilities. Moscow is assisting in the modernization and expansion of railroad facilities in Guinea, and Soviet personnel have completed surveys on the railroad which is to run from Conakry in Guinea to Bamako in Mali. Soviet technicians also have been working on port improvements and modernization of the airport at Conakry. A major project under the USSR's aid agreement with the Somali Republic may be the construction of a deepwater port at Berbera, approval of which awaits completion of surveys by Soviet experts.

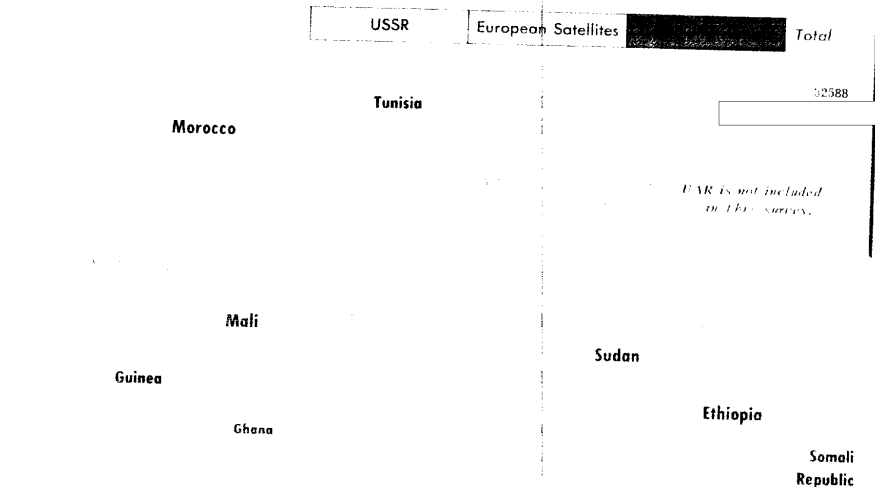
The area in which the bloc aid program has achieved the most success is civil aviation. Soviet- and Czechoslovak-made aircraft--both piston and high-performance turboprop--now constitute the major aircraft operated on airlines in Guinea and Mali, and Guinea has acquired Coot (IL-18) turboprops from the USSR. All three countries use bloc flight and maintenance crews, which will be replaced eventually by local personnel now being trained by

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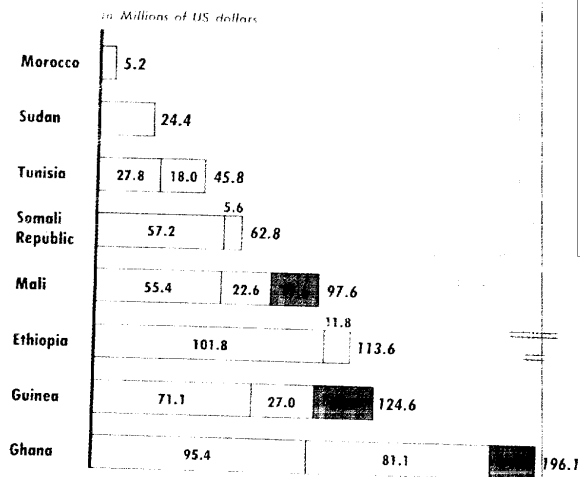
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African Countries Receiving Bloc Economic Aid



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the bloc. Concomitantly, the USSR and Czechoslovakia have expanded their international air routes to include Africa. Czechoslovakia began flying to West Africa in early 1961. The Soviet airline, Aeroflot, began weekly service on its Moscow-Khartoum route in July, and regular air service from Moscow to Morocco, Mali, Guinea, and Ghana is scheduled to start this month.

Technical assistance--an integral part of the bloc's aid

program--is being provided to the African countries on an increasing scale. Bloc specialists are conducting surveys of various types, acting as advisers to various governmental departments, and assisting in the construction of industrial plants. In addition, the bloc is providing training--both academic and technical--to an increased number of African students and building technical and vocational schools in a number of African countries.

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Arms Aid

Military assistance to African countries thus far has been small in comparison with similar bloc efforts elsewhere in the underdeveloped areas. Moscow has been reluctant to deliver large amounts of modern weapons and equipment because of low standards of technical competence of native military personnel, and has promoted long-range training programs designed to prepare the local troops to operate first the less complicated land armaments and eventually the more complex naval and air force equipment. Thus, while bloc arms aid to Guinea and Mali has until now consisted largely of land armaments, naval equipment and military aircraft probably will be supplied as the various training courses are completed.

Ghana has accepted very few Soviet arms, although it has sent some trainees from all three services to the USSR.

The bloc also has used gifts of arms to gain entree in Morocco and the Sudan. A gift of MIG jet fighters to Morocco in 1960 apparently paved the way for conclusion of a contract early this year for additional Soviet arms, including tanks. Sudan received a few arms in 1960, and a recent mission to Moscow probably discussed additional acquisitions. Offers of arms aid to other countries, particularly the Congo, have thus far gone unaccepted.

The bloc's military assistance to the Algerian rebels was cautious at first--largely in the form of World War II weapons of German origin delivered through Egypt and Syria.

Trade

Bloc trade with the African countries continues to rise. In 1961 it amounted to \$269 million, compared with \$248 million in 1960. The bloc exported petroleum, cement, lumber, machinery and equipment, and consumer durables, in exchange for cocoa beans, cotton, wool, peanuts, bananas, bauxite and iron ore. Bloc exports in 1961 increased to \$158 million from \$129 million in 1960, more than compensating for a slight decline in imports caused primarily by greatly reduced Soviet purchases of cocoa from Ghana. Trade with four countries--Ghana, Guinea, Morocco, and Tunisia--accounted for over half the total last year.

The African countries are particularly vulnerable to bloc overtures for expanded trade. The bloc not only has bought sizable quantities of their raw materials--which face stiff competition in free markets--but, in return, is exporting machinery, equipment, and materials needed in their development programs. Lacking the foreign exchange to finance such imports from the West, these countries probably will continue to depend on the bloc for a large share of their capital goods imports. For the bloc in turn, the advantage will be more than political as long as it can obtain needed raw materials.

The upward trend in trade can be expected to continue this year. Recently negotiated protocols renewing agreements with Ghana, Morocco, and Mali call for increased levels of trade, and the bloc has concluded its first trade agreements with several additional African countries.

In line with an expanding African trade, Poland and East Germany formed a joint shipping line last October to service West Africa. The line, called Uniafryka, now has 15 ships calling at West African ports. Three round trips are made each month, and the schedule probably will be expanded now that Czechoslovakia has joined the line.

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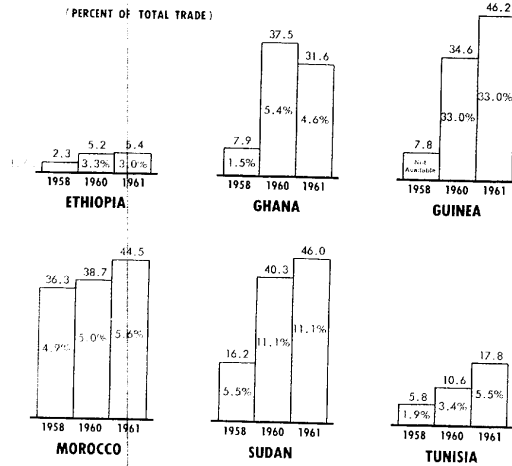
West Africa

Deputy Premier Mikoyan's visit to Guinea at the beginning of the year, aimed primarily at smoothing relations following the expulsion of the Soviet ambassador, underscored the importance Moscow attached to maintaining close relations. One of the results was the extension of additional economic credits. Following his visit to Guinea, Mikoyan stopped off at both Ghana and Mali, probably to ensure that Moscow's difficulties with Guinea would not affect relations with these countries. Although officials in all three countries continue to express some disappointment and disillusionment with the effectiveness of bloc economic aid, they will probably continue to look to the bloc as a major source of support for the realization of their economic goals. Ghana, Guinea, and Mali have received over \$418 million in bloc economic credits--more than 60 percent of total bloc economic aid to Africa.

The bloc's aid program is similar in all three countries, with assistance being provided for the expansion of agriculture and the development of transportation, communications, and mineral resources. In addition, the bloc is scheduled to build a number of small plants such as flour and rice mills, shoe factories, and paper mills.

In Ghana, implementation of the aid program has moved slowly, because many of the proposed projects require detailed surveys or feasibility studies. Surveys for a tractor assembly plant, a plant for production of reinforced concrete panels, a complex fishing enterprise, and several small plants for wood-working, ceramics, milk processing, and sugar refineries are nearing completion. The next six months should see an acceleration in the delivery of bloc machinery and equipment as actual construction begins. Preliminary

BLOC TRADE WITH SELECTED AFRICAN COUNTRIES
(IN MILLION DOLLARS)



work has started on the first stage of a complete Soviet geological survey. Sixty-four Soviet experts now are present, and 230 Ghanaians have been assigned to the project.

In Mali, as in Ghana, most of the bloc activity has been confined to surveys, but an acceleration of activity is likely soon. President Keita, during his recent visit to Moscow, arranged to have the entire 1961 Soviet credit of \$44 million allocated for specific projects. A credit of \$11 million extended during his visit was also earmarked for specific projects. The new credit, as well as a portion of the old one, evidently has been allocated for the purchase of agricultural equipment and the services of agricultural experts. Faced with failure to obtain the equipment from Allis-Chalmers because of repayment requirements, Mali probably felt its only recourse was to accept the bloc's offer, which permitted repayment in French African francs. Discussions by Keita in Prague resulted in the immediate dispatch of a Czech delegation to Bamako to discuss the

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allocation of a \$12.5 million economic credit extended in June 1961.

The aid program in Guinea has moved more rapidly. Some projects have been completed and construction is under way on a number of others. These projects, however, have been mainly impact schemes designed largely for prestige purposes such as the sports stadium, broadcasting station, and the hotel. With the completion of the preliminary survey, actual work on the Kouroussa-Bamako railway--the major Soviet projects--will probably begin after the rainy season.

The bloc continues to send trade and cultural delegations to Sierra Leone, Liberia, and Nigeria, but only in Nigeria have there been any visible results. Czechoslovak and Polish agreements signed with Lagos establish a basis for bloc economic assistance. This aid is likely to be in the range of \$5 million to \$10 million and probably will be used to build small factories.

Brazzaville Group

Bloc efforts to establish closer economic relations with the 12 African countries comprising the so-called Brazzaville group have already met with success in Senegal, Dahomey, and Niger. The first two have exchanged good-will delegations with the bloc and agreed to establish diplomatic relations--the first of the Brazzaville group to agree to this. In addition, trade, cultural, and scientific and technical cooperation agreements were initiated and the bloc expressed its readiness to extend economic assistance. Niger also has received various bloc delegations and has signed trade agreements with the USSR, Poland, and Czechoslovakia. These countries are beginning to express their disillusionment with the amount of Western aid and are becoming more receptive to blandishments by the bloc.

North Africa

Bloc economic activity in North Africa has been confined

largely to Morocco and Tunisia. The bloc has had an aid program in Tunisia since 1961, but little progress has been made. The USSR signed contracts last February for the construction of a technological institute and for a dam at Kassab--the first of five dams proposed--under its \$28 million credit, and Soviet experts are preparing surveys. Discussions between Polish and Tunisian officials early in the year resulted in the allocation of the \$10 million Polish credit. Priority projects include the construction of a sugar beet plant, a shipyard for the construction of fishing craft, a concrete-block factory, and a phosphate enrichment plant.

Morocco, accepting its first bloc economic aid last January, awarded Poland a contract for the construction of a \$48 million sugar refinery. An agreement providing for the supply of \$380,000 worth of Czech mining equipment for a copper development project followed. Soviet assistance to date has been confined almost exclusively to arms and military equipment. A few Soviet economic technicians have been conducting preliminary surveys in Tangier for the construction of a shipyard, and several Moroccan officials have claimed that Moscow has indicated a willingness to finance it at an estimated cost of about \$31 million.

Although the bloc is moving cautiously in Algeria, it is probably ready to provide economic, technical, and military assistance should the political situation become propitious. Besides supporting the Algerian rebels since 1957 with arms and military equipment, the bloc has provided medical and relief shipments through the Soviet Red Crescent to Algerian refugees in Morocco and Tunisia. In addition, wounded Algerians have been treated in bloc countries and given vocational training.

East Africa

In Ethiopia--the first African country to receive substantial bloc economic assistance--the aid program remains

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at a virtual standstill. Construction of the Soviet assisted technical school is progressing very slowly. The much-negotiated contract for the construction of an oil refinery by the USSR under its \$100 million development credit finally was concluded in late 1961, but there are indications that difficulties are being encountered and it may be some months before there is any progress. The Czechs are building a shoe factory-- the only project contracted for under the \$10 million credit extended in 1959.

In the Somali Republic and the Sudan, the bloc is making an effort to get its aid program under way. In March the Somali Republic and the USSR signed supplementary agreements listing specific projects, with proposed completion dates, to be undertaken under the Soviet credit of \$44 million. Moscow will assist in geological exploration and in establishing state farms, food-processing plants, a secondary school, a broadcasting station, hospitals, and an agricultural school, providing a well-balanced aid program. Soviet exports--presumably provided under the USSR's short-term \$7.7 million commodity credit--are to be sold on the local market to generate the local currency needed for Soviet development projects. Although the USSR has agreed to this type of arrangement with Afghanistan and Indonesia, it is the first such agreement with an African country. The USSR normally prefers to provide credits covering only the foreign exchange costs of developmental

projects; however, Moscow may agree to similar arrangements with other African countries if it feels such assistance will further its program.

In the Sudan, Soviet experts are preparing preliminary surveys for projects to be undertaken under a development credit of \$24.4 million extended in November 1961. Surveys for a fish cannery have been completed and are under study by the Sudanese Government. Construction has begun on grain storage facilities as well as on the dairy farm project at Kordofan.

Central Africa

Despite the setback suffered by the bloc in the Congo with the collapse of the Lumumba regime, the bloc appears to be making an effort to improve its position with the present government. Diplomatic missions have been established by the USSR, Poland, and Czechoslovakia, and an increasing number of bloc trade delegations are visiting Leopoldville. Moscow has reiterated its willingness to provide economic and technical assistance. To date its offers have not been accepted because of the Congo Government's insistence that all aid be channeled through the UN; however, if Leopoldville becomes impatient with the lack of progress under UN auspices it may become more receptive to direct Soviet assistance.

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