

SECRET

COPY NO. 75
OCI NO. 0446/62

7 December 1962

CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

SECRET

State Dept. review completed



25X1

FBI Review completed

GROUP 1
Excluded from automatic
downgrading and
declassification

008524

Page Denied

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 December 1962

T H E W E E K I N B R I E F
(Information as of 1200 EST 6 Dec)

CUBA Page 1

The IL-28 jet bombers are being shipped out of Cuba by the USSR, but construction activity is under way at locations associated with the continued Soviet military presence in Cuba. Veteran Cuban Communist Carlos Rafael Rodriguez is heading a Cuban trade mission to Moscow and Peiping. On 28 November, Che Guevara came close to the first public criticism by any Cuban leader of the Soviet decision to withdraw the strategic missiles and bombers from Cuba.



SOVIET FOREIGN POLICY DEVELOPMENTS Page 3

Now that the Cuban crisis, in Moscow's view, has been liquidated for all practical purposes, Khrushchev is turning his attention to rebuilding his bargaining power for an eventual resumption of Berlin negotiations. He used his talk with the Canadian ambassador last week to probe the Western position and to float further hints regarding his terms for a settlement. Khrushchev again made it clear that there can be no real progress on disarmament prior to a Berlin agreement. Moscow, however, continued to take a hopeful line concerning prospects for a nuclear test ban agreement.

The Soviet bloc continued its attacks on Chinese views at the Italian and Czech party congresses, while Peiping firmly stood its ground. There were indications that the Soviet leaders intend to use their talks with Marshal Tito to continue the discussion of party relations which was begun during President Brezhnev's visit to Belgrade in September.



25X1

SINO-INDIAN BORDER Page 7

The Chinese Communist withdrawal, which apparently got under way on 1 December, will by all appearances be a phased and deliberate operation. The pace and extent of the pull-back will be strongly conditioned by Peiping's reading of Indian actions. New Delhi is playing for time, avoiding provocative actions while regrouping its forces. It has asked for clarification of Peiping's proposals and intentions, and denies that Peiping's terms provide a basis for a negotiated settlement. Both sides are working hard to influence participants in the six-nation nonaligned conference scheduled to convene in Ceylon on 10 December.



25X1

FBI Review completed

SECRET

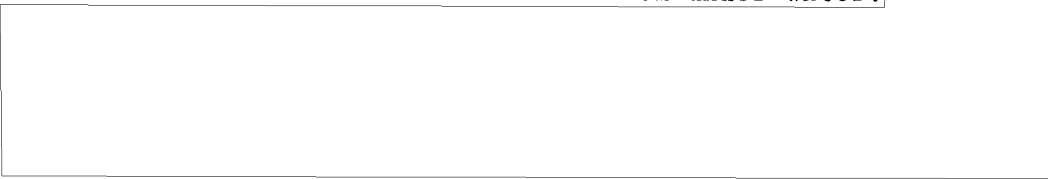
SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 December 1962

THE NEW SOVIET NAVAL MISSILE Page 10

The new naval missile shown in the Moscow parade on 7 November is believed to be still in the research and development stage. The Soviet press claims that it can be launched either from the surface or from under water.



KHRUSHCHEV ENCOURAGES ANTI-STALIN LITERARY WORKS Page 12

After a lull of almost a year, de-Stalinization has again become a prominent theme in the Soviet press. Khrushchev is personally encouraging the publication of anti-Stalin literary works, perhaps as a prelude to attacks on inflexible Soviet bureaucrats whom he intends to brand as "Stalinists." In view of the tightened controls featured in the party and government reorganization approved at last month's central committee plenum, Khrushchev may again feel it necessary to remind the people of the essential differences between his rule and Stalin's. Khrushchev has nevertheless made it clear that freedom to attack the Stalin era is not to be interpreted as an across-the-board relaxation.



25X1

POLISH PARTY PROBLEMS. Page 14

Squabbling between Poland's liberal and hard-line groups is making it increasingly difficult for party leader Gomulka to maintain his middle-of-the-road policies. He himself is not threatened.



NEW SATELLITE ECONOMIC CREDITS TO UNDERDEVELOPED COUNTRIES .Page 16

The European satellites continue to strengthen and consolidate their economic and political relations with the underdeveloped countries. Official policy statements continue to stress the importance of these countries as a market for manufactured goods and a source of food and raw materials.



25X1

SOVIET ARMS AID TO THE MIDDLE EAST Page 17

Soviet military shipments to the Middle East are beginning to include more sophisticated types of arms. Equipment recently supplied to Iraq included the first deliveries of surface-to-air missiles (SAMS) and missile-equipped MIG-21 jet fighters to that country. The UAR has also received SAMS from the USSR in recent weeks.



25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 December 1962

25X1



THE SITUATION IN YEMEN Page 18

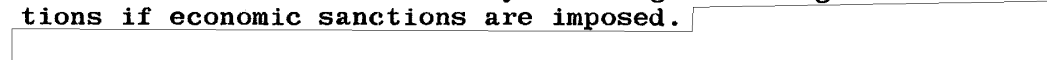
25X1

Egyptian and revolutionary government forces continue to engage royalist tribes along the northern and eastern borders of Yemen.



CONGO. Page 19

Adoula's political position remains shaky, and he is threatening to resign as his opponents organize new attacks on him. In an effort to bolster Adoula and to increase pressure on Tshombé, the UN military command has begun a build-up of its troops and equipment in Elisabethville. Tshombé says that he will not bow to Western and UN pressures and that he will destroy the Belgian mining installations if economic sanctions are imposed.

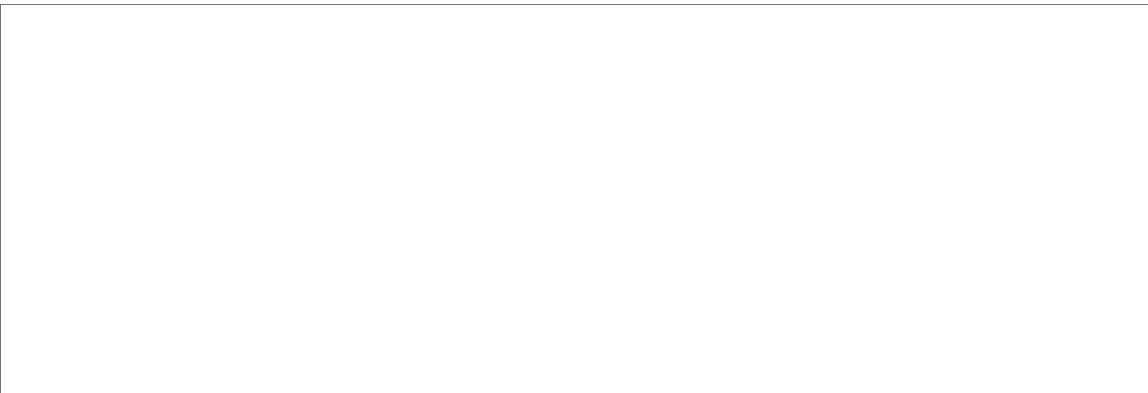
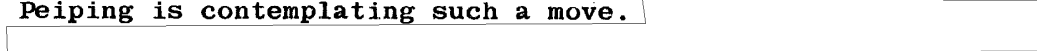


HONG KONG'S REFUGEE PROBLEMS Page 21

Illegal immigration from the mainland to Hong Kong is continuing, although in greatly diminished numbers since Communist authorities halted the massive exodus last spring.



A relaxation of the currently tight Communist restrictions on refugees would probably loose a new flood against the colony. There is no indication at present, however, that Peiping is contemplating such a move.



SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 December 1962

PORTUGUESE CABINET CHANGES Page 23

Salazar's cabinet reshuffle on 2 December featured the dismissal of Overseas Minister Moreira, who had advocated greater autonomy for overseas possessions and was widely regarded as a possible successor to Salazar. Indications are that Lisbon intends to slow down the modest reform measures which had been initiated in the African territories.

[Redacted]

25X1

NATO MINISTERIAL MEETING Page 24

The foreign and defense ministers of the NATO countries will hold their annual meeting in Paris from 13 to 15 December. Uncertainty over the future course of Soviet policy and over the outcome of UK-EEC negotiations is expected to inhibit any major decisions. The discussion of military questions will center on the need for stronger conventional forces and more equitable methods of sharing defense burdens. Although the question of NATO's nuclear role is apt to be soft-pedaled pending the conclusion of North Atlantic Council studies currently under way, growing interest in this subject may evoke some new indications of the attitude of members or individual ministers.

[Redacted]

25X1

ARGENTINA Page 25

Argentina's politico-economic crisis has again intensified. The primary cause is extreme dissatisfaction in all sectors over the Guido government's failure to reverse the rapid economic decline. Economy Minister Alsogaray was forced out on 4 December by pressure from business, labor, and some military circles but is still maneuvering for reinstatement.

[Redacted]

[Redacted] the war secretary says the army will firmly oppose any type of dictatorship.

[Redacted]

25X1

TREND TO THE LEFT IN BRAZIL Page 26

The influence of extreme leftists is growing in the administration of President Goulart. Brazilian officials concerned with economic development are showing increasing hostility to US aid, and have accepted the first large development credit from the Soviet bloc. Anti-Goulart sentiment is rising, but Brazil's moderates and conservatives are making no significant moves toward concerted opposition.

[Redacted]

PROSPECTS FOR COMMUNIST SUBVERSION IN COSTA RICA Page 27

The Costa Rican Government has begun to show concern that the country's persistent financial crisis may enable the small and illegal but well-led and -financed Communist party to expand its activity. A predominantly middle-class social structure and relative political maturity afford the Communists little possibility for mass demonstrations, insurgency, or guerrilla activity. Anti-Castro sentiment helps

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 December 1962

keep them in check. Firing on a mob by troops during a recent riot over electricity rates, however, has created an angry public reaction which might give the Communists a favorable climate for subversive exploitation of the economic difficulties. [redacted]

25X1

PRE-ELECTION OUTLOOK IN THE DOMINICAN REPUBLIC Page 29

The Dominican Republic's first democratic election in more than 30 years is to take place on 20 December. A relative calm now prevails on the political scene following a period of wrangling by the inexperienced party leaders and activities of extreme leftists and remnants of the Trujillo regime which threatened to disrupt the election schedule. One of the principal problems has been the insistence of two members of the ruling Council of State, the only survivors of the group which assassinated Trujillo [redacted]

25X1

GUATEMALAN PRESIDENTIAL ASPIRANT AREVALO Page 3

Juan Jose Arevalo's chances to win election next year to the Guatemalan presidency he held from 1945 to 1951 have been enhanced by the lack of economic or political progress and by the fragmentation of existing political parties. Arevalo has an unrealistic attitude toward individual Communists and lets [redacted] ambition impair his judgment of their influence. This is outweighed in Guatemalan public opinion, however, by recollections of the favorable aspects of his administration, and by projection of his image as a strong Guatemalan nationalist on guard against US influence in Latin America. [redacted]

25X6

25X1

SPECIAL ARTICLES

KHRUSHCHEV'S CUBAN VENTURE IN RETROSPECT Page 1

The basic objective of Khrushchev's bold gamble in deploying strategic missiles to Cuba was to achieve a dramatic breakthrough which, in his view, would strengthen the USSR's position on a whole range of issues in the contest with the US. His immediate purpose, however, was to strengthen his position for a major diplomatic showdown on the Berlin and German questions before the end of the year. When faced with the vigorous US reaction during the week of 22 October, Khrushchev recognized that he had no choice but to cut his losses in Cuba and that any meaningful Soviet military response would carry unacceptable risks of escalation to general nuclear war. [redacted]

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 December 1962

WEST GERMAN ECONOMIC TRENDS Page 8

After a decade of boom, West Germany's economy is experiencing a moderate slowdown characterized by diminished demand, rising costs and prices, and a decline in the growth of exports. There are good prospects, however, for continued prosperity at a reduced growth rate and for a return to equilibrium in international payments. Government efforts to contain inflationary pressures by means of budgetary restraint threaten to slow the defense build-up and to reduce Bonn's foreign aid program. [redacted]

25X1

MALAYSIA FEDERATION PROBLEMS AND PROSPECTS Page 12

Complex negotiations are in train for the merger by next August of Malaya, Singapore, and the British Borneo territories into a single Malaysia Federation. Singapore's voters approved the project last September, but anti-Malaysia political parties in Sarawak, North Borneo, and Brunei are stepping up agitation. [redacted]

25X1

[redacted] Indonesia is manifesting thinly veiled hostility toward the Malaysia concept. Malaysia's proponents are pressing forward nonetheless, believing that early formation of the federation is essential if Singapore and other areas are to be strengthened against Communist inroads. [redacted]

25X1

SECRET

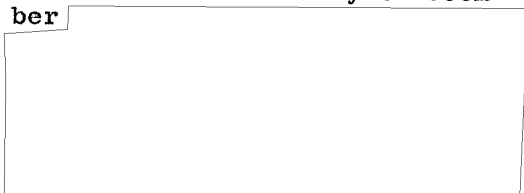
SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

WEEKLY REVIEW

CUBA

The IL-28 (Beagle) jet light bombers are being shipped out of Cuba aboard three Soviet merchant ships. Most of the IL-28s had left by 5 December



All 42 IL-28s earlier photographed in crates at two Cuban airfields have been accounted for. There is no evidence suggesting that a higher number had been delivered to Cuba.

One of the four confirmed coastal-defense cruise-missile sites set up in Cuba by the Soviet Union has either been abandoned or relocated. Photographic reconnaissance over the former cruise-missile site at La Sierra, near Cienfuegos in Las Villas Province, found no missiles or missile-associated equipment. The only remnant of the site is an earth revetment, which is empty. There is no evidence that the site is being set up at any more favorable location in the same general area.

coverage shows no apparent change, however, in the other three coastal-defense cruise-missile sites, located at Sigüanea on the Isle of Pines, Santa Cruz del Norte in Havana Province, and Banes in Oriente Province.

Continuing Soviet Military Presence

Construction activity is continuing at other locations associated with the Soviet military presence in Cuba.

Aerial photography confirms that construction of permanent facilities is continuing at the Soviet military encampments near Remedios and Artemisa, and that additional aircraft revetments are being built at two Cuban airfields.

Aerial photography revealed additional Soviet Frog (Free Rocket Over Ground) rocket transporters and launchers in Cuba. Four vehicles tentatively identified as Frog rocket transporters were observed on a short winding road leading to a dead end at a possible mine or quarry near the city of Matanzas. Also

sixteen Frog transporters and two launchers were identified in the Soviet armored group encampments at Remedios and Santiago de las Vegas.

At least three launchers and eleven transporters associated with this weapon had been confirmed in earlier photography of the four Soviet armored group encampments. The Frog is mounted on an amphibious tracked chassis and is capable of ranges between 11 and 26 nautical miles. It can carry conventional or nuclear warheads.

Trade Mission to Moscow

Carlos Rafael Rodriguez is heading the Cuban mission in Moscow to negotiate the annual protocol to the 1960 Cuban-Soviet trade agreement. A veteran of the pre-Castro Communist Party, Rodriguez now is high in the leadership of Castro's political machine. He is president of the Agrarian Reform Institute. He was prominent among the Cuban leaders who conferred with

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

Mikoyan last month and appears to be playing a role of growing importance in the Cuban leadership. Havana has announced that, after the talks in Moscow are concluded, Rodriguez will proceed to Peiping for trade talks with the Chinese Communists.

A lesser official had originally been scheduled to go to Moscow. The sudden selection of Rodriguez, only three days before his departure, suggests that Havana regards the mission as one of considerable importance. Announcement that he will continue to Peiping is probably designed to exploit the Sino-Soviet dispute in an attempt to gain the maximum possible support from the USSR.

Guevara Interview

In an interview given on 28 November to a correspondent of the London Daily Worker, Che Guevara came closer than any Cuban leader has come thus far to public criticism of the Soviet Union for withdrawing its strategic missiles and the IL-28 bombers from Cuba. Guevara said: "Some people in Europe are saying that a great victory has been won. We say that the danger is still here.... While war may have been avoided, that does not mean that peace has been assured. We ask whether in exchange for some slight gain we have only prolonged the agony."

Later in the interview, Guevara emphasized the hard-line views of the Cuban leadership on the importance of the Cuban revolution in leading the "anti-imperialist revolution" in Latin America. "There is no solution but armed struggle," he said. "Cuba has shown that small guerrilla groups, well led and located in key points... can eventually destroy the

armed forces of the class enemy." He announced that the "objective conditions" for initiation of armed struggle exist, and noted that guerrillas have already been active in Venezuela, Guatemala, Paraguay, and Colombia.

Party Organization

Guevara said the developing Cuban political apparatus, which is being modeled after bloc Communist parties, will probably hold its first national congress next month. He said he expects an initial membership of from 50,000 to 60,000 in the party. The congress is expected to mark the conversion of the provisional Integrated Revolutionary Organizations (ORI) into the United Party of the Socialist Revolution.

Leadership of the new party will probably differ little from that of the ORI. Fidel and Raul Castro are first and second secretaries of the ORI. Other members of the key secretariat are Guevara, President Dorticos, veteran Communist leader Blas Roca, and Emilio Aragonés.

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****SOVIET FOREIGN POLICY DEVELOPMENTS**

Now that the Cuban crisis, in Moscow's view, has been liquidated for all practical purposes, Khrushchev is turning his attention to rebuilding his bargaining power for an eventual resumption of Berlin negotiations. He told the Canadian ambassador on 28 November that a new round of talks should begin soon, and gave the impression that he meant within the next few months.

Khrushchev's exposition of his Berlin position to the Canadian ambassador probably reflected the general line the Soviet premier had planned to take in a personal appearance before the UN General Assembly last month if the Cuban crisis had not intervened. Khrushchev characterized Berlin and Germany as the most important questions requiring "urgent solution."

He warned that failure to reach a Berlin agreement would create a "very dangerous situation" which could get out of hand, and he revived the threat of a separate peace treaty with East Germany. He emphasized that "Berlin is not Cuba" and that it would be "dangerous madness" to expect a further Soviet retreat.

Khrushchev warned that the USSR's local tactical and strategic position is vastly stronger in Berlin than it was in Cuba, and that "if people think the Cuban affair will restrain us, they don't know us." He reiterated that after a separate treaty is signed, the USSR could and would cut Allied military access to West Berlin. He added, however, that he would not repeat "Stalin's stupid mistake" in imposing a blockade on civilian traffic.

Khrushchev said he "knew" that British Ambassador Roberts in their 12 November talk had received the impression that

the USSR would accept the continued presence of Western forces in West Berlin, without the addition of Soviet troops, provided they were under UN aegis rather than the existing occupation status. He denied categorically that he had said this and insisted he would agree only to one of four variants: (1) the addition of Soviet troops to the Western garrisons; (2) replacement of the Western forces by contingents of smaller NATO and Warsaw Pact countries; (3) contingents from neutral powers; (4) a combination of (2) and (3).

25X1

The Canadian ambassador also pointed out that Soviet officials have long tried to create or widen a wedge between Canada and the US and to encourage a neutralist attitude in Canada. Khrushchev's more demanding line probably was aimed at prodding Canada into urging both the US and Britain to take a more forthcoming position in the next round of Berlin negotiations.

Stress on Soviet Missile Lead

Khrushchev's preoccupation with strengthening his post-Cuba bargaining position was also reflected in his remarks to the Canadian ambassador and in renewed claims in the Soviet press of the USSR's superiority in long-range strategic weapons. Khrushchev's sensitivity to the damaging effect of his backdown in Cuba was evident in his statement to the ambassador that it was not a matter of much importance where Soviet rockets are located. He contended that withdrawal of strategic missiles from Cuba did not seriously affect the USSR's over-all capabilities and that the USSR has plenty of ICBMs

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

and submarines which could fire Polaris-type missiles against the US.

A Red Star article on 4 December by Marshal Biryuzov, commander in chief of the Soviet rocket forces, claimed that the USSR "still confidently leads the US in the creation and development of powerful rockets." He boasted that the Soviet Union is "perfecting" nuclear warheads, with yields of "50 to 60 and more megatons," which can be delivered to any point on the globe, and that the USSR has "successfully solved" the problem of destroying enemy rockets in flight. Izvestia also carried an article on 1 December by Chief Marshal of Artillery Varentsov which stressed the "absolute reliability and high precision" of Soviet missiles which make them "far superior" to American missiles.

Berlin

Although Moscow apparently does not plan to intensify pressure on Berlin in the near future, it continues to seize any opportunity to keep the issue alive.

The Soviets sent notes to the Western powers on 29 November protesting a West German action in bringing suit against an alleged Communist-front organization before the Federal Administrative Court in West Berlin.

Moscow pointed out that the Western governments agree that West Berlin is not part of the Federal Republic and charged that West German authorities were illegally interfering in West Berlin affairs. Although the notes contended that this incident underscores the "urgent necessity" of a German peace settlement, they made no mention of a separate peace treaty.

In his first public statement on Berlin and Germany since

the Cuban crisis, East German leader Ulbricht also omitted all references to a peace treaty and echoed Moscow's line that "dangerous disputes" must be settled through compromise. In a 2 December speech to an East German party district conference, Ulbricht adopted a moderate position and placed the peace treaty question in the framework of a general East German "long-term policy." He expressed optimism that the formation of a new government in Bonn may lead to negotiations and an eventual normalization of relations between the two German states.

Disarmament

In his talk with the Canadian ambassador, Khrushchev reiterated his earlier position that no real progress could be expected on disarmament prior to a Berlin settlement. The USSR, however, continued to take a hopeful view of prospects for a nuclear test ban agreement.

At Geneva, Soviet delegate Tsarapkin continued to stress the "favorable conditions" for a test ban agreement. He claimed that the "black boxes" would enhance the efficiency of existing national detection systems. Tsarapkin privately acknowledged that this scheme was designed to compensate the US for the absence of on-site inspections. However, he took the usual position in a private discussion with Ambassador Dean that "agreement in principle" on the use of the seismic stations should be reached before the technical details are discussed.

The USSR maintained its insistence on a comprehensive ban on all testing. Tsarapkin rejected a Swedish proposal for an interim agreement to stop underground tests, contending this would only legalize such tests and give the US a military advantage.

SECRET

WEEKLY REVIEW

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**Cuba

TASS reported without comment the US announcement that the IL-28 jet light bombers are being withdrawn from Cuba. Following Mikoyan's talks with President Kennedy and other US leaders, Soviet propaganda demands for a formal US noninvasion pledge declined sharply. Mikoyan characterized his talks as having been useful in clarifying respective positions on Cuba, Berlin, and other questions. He said the meetings left the impression that a "possibility is in the offing for bringing the viewpoints of the two sides closer on a number of important international questions." He agreed to further talks in New York to work out a Cuban settlement and said "we expect progress in these talks."

In his speech to the Italian Communist Party congress on 3 December, Kozlov developed Moscow's apologia for Khrushchev's handling of the Cuban crisis. He claimed that Moscow's "decisive and far-sighted actions" had prevented an attack on Cuba and preserved world peace. He promised that the USSR would continue to help "revolutionary Cuba to defend its independence."

Sino-Indian Border Dispute

Kozlov's 3 December speech at the Italian Communist Party congress repeated previous Soviet statements of satisfaction that the Sino-Indian border fighting has stopped. Khrushchev had indicated to the Canadian ambassador on 28 November that the USSR had been embarrassed by the recent Chinese offensive and declined to discuss the subject further. Kozlov also expressed the hope that the dispute now could be solved by peaceful means.

The USSR has reported the Chinese cease-fire offer in some detail, and is clearly seeking to encourage both sides to use it as at least a basis for negotiation.

Moscow has shown in a number of ways its concern with Indian acceptance of Western military assistance, warning that such a step threatens to undermine the traditional Indian position of nonalignment.

it is still not clear whether Moscow will seek Indian favor to the point of delivering MIG-21 fighters. Nehru has stated that delivery will take place in the near future, but Moscow does not yet appear to have committed itself on this matter.

Sino-Soviet Dispute

Soviet and Chinese delegations to the Italian congress and to the Czech party congress continued last week to reiterate their now sterile formulas of mutual recriminations. They still avoided naming each other directly, but used, as they have since the Soviet 22nd party congress, the Albanian and Yugoslav parties as their ostensible targets. The accusations, however, particularly from the Soviet side, have become stronger.

In addition, Italian party leader Togliatti, a firm supporter of the Soviet side in the dispute, attacked the Chinese by name, deploring their support for the Albanians and accusing them of not adhering to the 1960 Moscow conference statement. He was followed later in the congress proceedings by another top Italian

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

leader, Giancarlo Pajetto, who in condemning China's "wrong positions" asserted that "when we mean China, we have no need to say Albania." This is not the first time the Soviet party has relied on the Italians to present its argument with the Chinese openly. At an earlier point, when tensions between them were particularly high, the Italian party published the discussion of its delegate to the 1960 conference, a discussion which explicitly and violently attacked China and its views.

The attacks by the Italians at their party congress, however, reflect an exacerbation of the Sino-Soviet dispute. Use of a party congress as the forum for direct and open attacks on the Chinese represents a more formal censure of the Chinese than had the earlier publication of similar strictures. Nevertheless, Moscow's reporting on proceedings at the congress has not yet included the direct attacks on Peiping.

At both the Italian and the Czech congresses the Chinese have stood their ground, maintaining their support for the Albanian party and for the concepts which have brought them into opposition to the Soviet camp. The strongest Chinese attacks, however, are leveled at Tito and the Yugoslav party. In addition to the speeches its delegates have given at the congresses, Peiping since 1 December has publicized four major attacks on Tito.

Bloc-Yugoslav Relations

Despite the ostensible "private vacation" nature of Tito's visit to the Soviet Union, his welcome by Khrushchev was of the type generally given only to official visitors. The delegation accompanying Tito suggests

that he expects to continue the discussion of party relations, among other matters, begun during Soviet President Brezhnev's September visit to Belgrade. Among other members of Tito's party are a prominent Yugoslav ideologist and Tito's party deputy.

Another indication of the Yugoslav party's improved standing in the international Communist movement is the presence of a Yugoslav delegation at the Italian congress. This caps a quiet rapprochement that has been developing between the two parties since mid-1961. This conclave is the first international gathering since the Moscow conference of November 1957 at which the Yugoslavs have been allowed representation and been given an opportunity to defend their policies. Yugoslavia has not yet been invited to attend party congresses in the bloc, however.

Although the Yugoslav party is not present at the Czech congress, Czech leader Novotny managed to say some kind things about his relations with Tito. Novotny not only refrained from attacking "Yugoslav revisionism" but noted that revisionism as "the main danger" has been successfully combated and that sectarianism and dogmatism can become "a major danger" in individual parties. Novotny also stressed that his party intends to work in the future to accommodate the different opinions held by it and the Yugoslavs.

25X1

Some practical working arrangement for Yugoslav ties to CEMA may also come out of the Tito-Khrushchev talks. Belgrade was told last July by Moscow that a request for association with CEMA would be sympathetically received.

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****SINO-INDIAN BORDER**

The Chinese Communist withdrawal, which apparently got under way on 1 December, will by all appearances be a phased and deliberate operation, the pace and extent of which will be strongly conditioned by Peiping's reading of Indian actions.

Thus far, Chinese forces have pulled back from their southernmost positions in the North East Frontier Agency (NEFA), but no similar troop movements have been noted in Ladakh. Peiping's Defense Ministry stated on the eve of the pullback that initial moves in NEFA would place Chinese forces in new defensive positions five to ten miles behind points of farthest advance. In the Ladakh area, the ministry announced, Chinese forces would retire an unspecified distance from eight outposts.

Peiping has been directing Indian and neutralist attention to the tenuous character of the present cease-fire by charging India with acting "provocatively" at both ends of the frontier. The Chinese have taken exception to the alleged forward movement of Indian forces near the cease-fire line in NEFA and have cited numerous air intrusions in the Ladakh region.

In continuing to hammer at the twin themes of Indian truculence and Chinese reasonableness, Peiping apparently

is preparing its progaganda justification in case it decides to renew hostilities. Peiping also doubtless aims at stimulating further pressure on India from neutral nations.

Diplomatic Activity

A conference of six non-aligned countries has been called to discuss the Sino-Indian conflict and is scheduled to convene in Colombo on 10 December. Of the nations represented at the conference--Indonesia, Burma, Cambodia, Ceylon, the UAR, and Ghana--at least the first four have given some indication that their attitudes on negotiating a settlement would please the Chinese.

The Egyptians lean toward the Indian position. Ghana has appeared to drag its feet, and its representative will be the lowest ranking at Colombo.

Yugoslavia also appears to have been trying to prevent Afro-Asian mediation efforts from favoring the Chinese position. Belgrade's Foreign Minister Popovic made a hasty visit to Cairo on 27 November following a Yugoslav party executive committee condemnation of Chinese attacks on "the policy of coexistence and cooperation among nonaligned states."

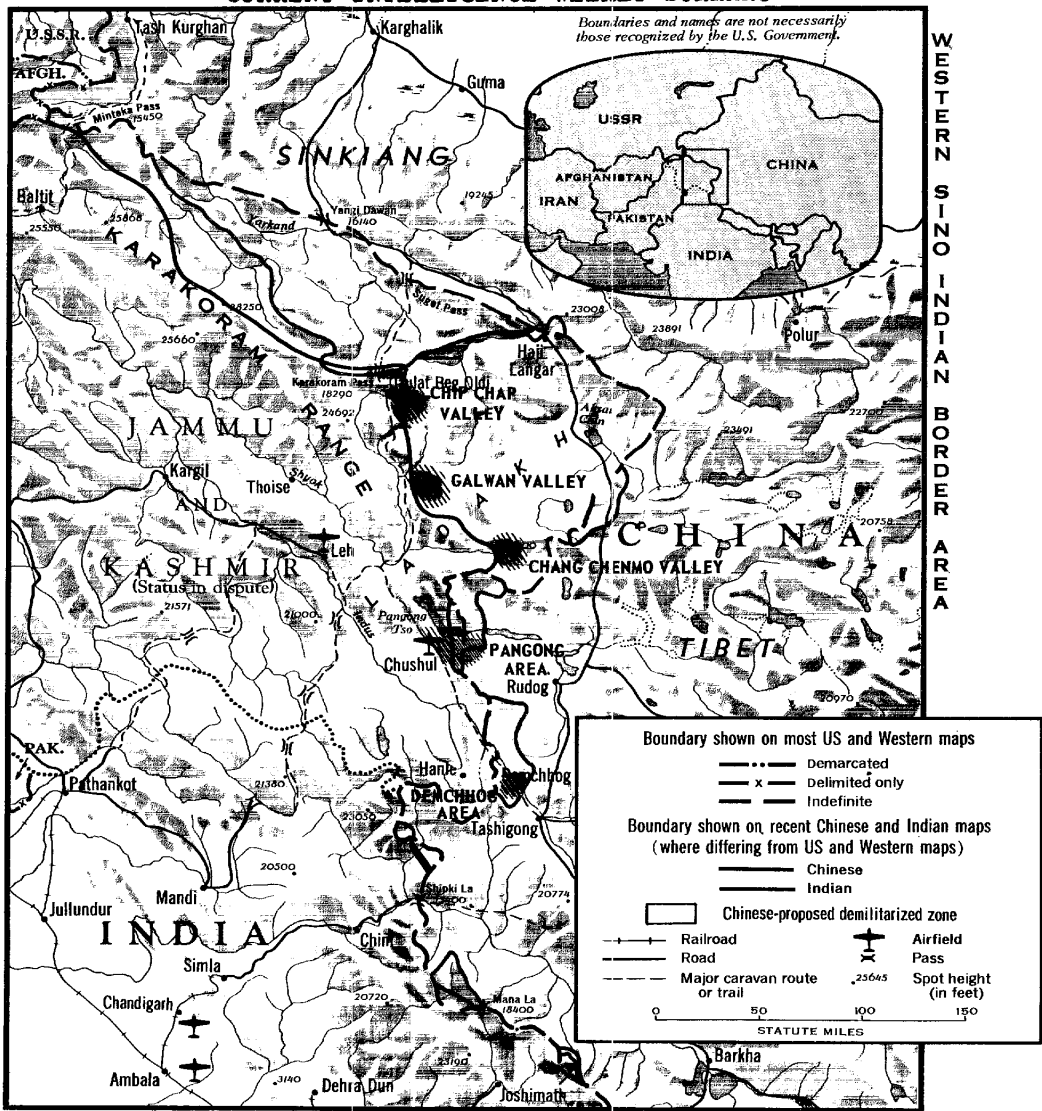
Both Peiping and New Delhi are pressing their intensive diplomatic campaign to influence the Colombo participants. High-level diplomatic missions have spent the past week shuttling back and forth among the conference invitees.

Communist China's Deputy Foreign Minister Huang Chen

SECRET

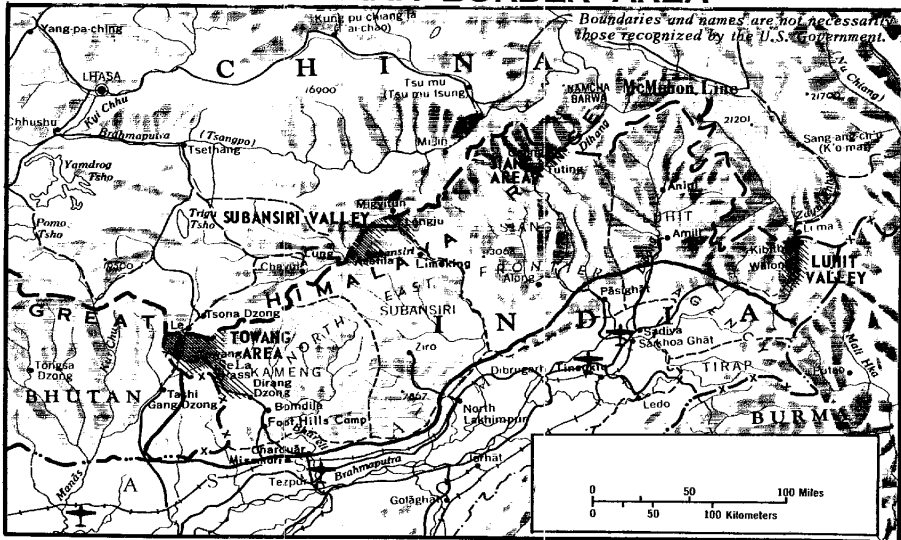
SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY



25X1

EASTERN SINO-INDIAN BORDER AREA



32830

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

arrived in Cairo on 6 December and is scheduled to visit Ghana this weekend, all in an effort to explain the Chinese position.

requested [redacted]

25X1

Indian Position

The Indian Government's position has remained cautious but unyielding. To play for time, New Delhi acquiesced in Peiping's unilateral cease-fire and avoided action which the Chinese might deem provocative.

The time has been used for regroupment and reinforcement. Up to 10,000 soldiers initially trapped behind Chinese lines now are being regrouped in the northeast. More than half the Indian troops along the Pakistani borders have been shifted to Chinese fronts, reducing the ratio at the Pakistani frontiers from 2-to-1 in favor of India to a little less than parity.

Politically the time has been used to test Chinese intentions and to make India's case to the world, particularly the nonaligned countries. The Chinese withdrawal date arrived and passed without the "positive response" the Chinese had re-

New Delhi has requested several time-consuming clarifications from the Chinese. In part this is a genuine effort since the Chinese proposals on some points appear purposefully vague. Mainly, however, the Indians have used the clarification process to restate their own views--particularly to refute the Chinese contention that mutual withdrawal holds the key to a border solution. They have also charged the Chinese with attempting to make good their latest "aggression" through the use of a flexible line which--especially in Ladakh--bears little relation to positions actually held on 7 November 1959.

Pakistan

Pakistani President Ayub is unlikely to be deterred by opposition charges that he has "bypassed" the National Assembly in agreeing to negotiate on Kashmir.

Pakistan has long wanted serious negotiations on Kashmir, and Ayub will try to take full advantage of the new pressures on Nehru to gain concessions in the main valley of the disputed state, which India holds.

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

THE NEW SOVIET NAVAL MISSILE

25X1

The new naval missile shown in the Moscow parade on 7 November is believed to be still in the research and development stage. The Soviet press claims that it can be launched either from the surface or from under water.

Presently operational Soviet submarine-launched ballistic missiles are believed to use storable liquid propellants. Solid fuels offer some advantages in handling ease, however, and the Soviet Union may have developed a solid fuel for use in larger missiles. Short-range solid-fuel tactical rockets have



NAVAL MISSILE IN MOSCOW 7 NOVEMBER PARADE

6212 04

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

been operational in the Soviet armed forces for several years.

Stages and Ranges

[Redacted]

[Redacted] suggest that it has more than one stage and may have as many as three. Additionally, the short aftermost section may be a separate unit, perhaps used to eject the weapon from a tube in a submerged submarine.

Range estimates vary considerably depending on the number of stages, type of propellants, and warhead weights used in calculating these distances. Assuming three powered stages, a solid fuel of moderate specific impulse, and a warhead of 1,000 to 1,500 pounds, the missile probably would be able to achieve a range of about 2,000 nautical miles (n.m.).

Compatibility With Soviet Submarines

The diameter of the parade missile appears to be compatible

with the missile tubes on Z-conversion, G-class, and probably H-class submarines.

25X1

[Redacted]

[Redacted] All three of these submarine classes now are believed to carry 300-n.m. ballistic missiles.

It is possible that these submarines could be adapted to carry the upper sections of the missile, which total about 27 feet in length. If so, this would about double the range of their present weapons system.

In addition to any possible adaptations to existing submarines, it is likely that the complete missile will be placed on some new class of submarine.

25X1

[Redacted]

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****KHRUSHCHEV ENCOURAGES ANTI-STALIN LITERARY WORKS**

After a lull of almost a year, de-Stalinization has again become a prominent theme in the Soviet press. Khrushchev is personally encouraging the publication of anti-Stalin literary works, perhaps as a prelude to attacks on inflexible Soviet bureaucrats whom he intends to brand as "Stalinists." In view of the tightened controls featured in the party and government reorganization approved at last month's central committee plenum, Khrushchev may again feel it necessary to remind the people of the essential differences between his rule and Stalin's.

"Stalin's Heirs," which contended that the heirs of Stalin, both foreign and domestic, are still alive and flourishing. Subsequently, the Soviet press has emphasized the damage done to Soviet life by the cult of personality, as well as the dangers of attempting to minimize its harmful effects.

One of the most dramatic anti-Stalin works to appear was a story entitled "One Day of Ivan Denisovich," which described the suffering of prisoners in Stalin's concentration camps. Clearly in order to emphasize the official policy behind the story's publication, both Pravda and Izvestia promptly gave it favorable reviews and pointedly quoted Khrushchev's statement to the 22nd party congress that such exposés are necessary to prevent a return of the Stalin era.

In his closing address to the central committee plenum on 23 November--which has not yet been published--Khrushchev is alleged to have spoken at least part of the time on further de-Stalinization measures and to have explained the policy of publishing anti-Stalin works. According to widespread Moscow rumors, he told the plenum that he had ordered Pravda to print "Stalin's Heirs," and said that "One Day of Ivan Denisovich" was published at his personal insistence, despite some reservations on the part of high-level officials.

Particularly because of the greater cultural freedom

articles and literary works with anti-Stalin themes began to appear in the Soviet press with increasing frequency. The first, which appeared in Pravda on 21 October, was Yevgeny Yevtushenko's poem

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

of the past few years and increased official toleration for experimentation, intellectuals apparently interpreted Khrushchev's renewal of de-Stalinization as another liberalizing step: artists in particular felt encouraged to exhibit some of their more extreme works.

Khrushchev, however, apparently did not foresee and clearly never intended that any connection be made between freedom to attack Stalin and freedom to experiment. Thus, when confronted with examples of abstract art at an exhibition on 1 December, he reportedly lost his temper and created a "scandalous" scene. His scathing criticisms were followed by major editorials in Pravda and Izvestia of 3 December. Both papers harshly attacked modernistic trends and urged inten-

sified party control over the arts.

These developments suggest that official controls will become more stringent for a time, and have led Moscow literary circles to anticipate a ban on stylistic experimentation. On balance, however, there seems little likelihood that a major freeze is in the offing. Khrushchev may come to feel that such action would alienate Soviet intellectuals at a time when their services are a vital ingredient of his de-Stalinization campaign. The writers themselves believe that literary denunciations of the Stalin era--though in a "realistic" style--will probably continue to be encouraged.

25X1

* * *

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****POLISH PARTY PROBLEMS**

Continuous and increasingly severe factional squabbling within the Polish Communist Party has so complicated First Secretary Gomulka's control that he is finding it difficult to maintain his middle-of-the-road policies or to formulate new ones. Although his own position is not threatened, constant attempts are being made by opposing liberal and hard factions to discredit and undermine each other's political power. These activities have led to a number of arrests and trials, and to at least one death--reportedly a suicide.

Polarization around hard and liberal groups is fluid; moderate Gomulka supporters shift from one to the other depending on the specific issue involved. The hard and liberal groups themselves are unorganized remnants of the Soviet-backed Natolinists who fought the return of Gomulka, and of the "revisionists," whose support brought Gomulka back to power in 1956. The Kremlin withdrew its support of the Natolinists when it became apparent in 1957 that they were ineffective and actually harmful to Soviet aims, and after Gomulka repressed the most outspoken "revisionists" among his party leaders.

Each group is constantly promoting its members within the party and government structure in a struggle for additional political power. Their aims are not clearly defined, but they hope to force Gomulka to choose between the two extremes.

In the past two years the struggles have centered largely on problems of foreign policy and Polish nationalism, the future course of the Polish economy, and internal security affairs. The hard-liners criticize Gomulka's support of Khrushchev in the Sino-Soviet dispute, even though he has attempted, with the concurrence of the liberals, to "maintain a long view" of the Chinese problem in spheres outside party relations. Too much admiration of the West, particularly the foreign policies of President Kennedy, has cost a number of party journalists and radio-television commentators their positions at the instance of party conservatives. Some were reinstated, however, after intervention by Gomulka.

The hard group was given a boost by Gomulka's recent stress on the strictly Polish origins of his party. Many of the hard-liners who spent the war years in Poland are attempting to capitalize on this fact to the detriment of liberals.

Anti-Semitism, an old Polish phenomenon, is officially discouraged but apparently persists. Politburo member Zambrowski has told Western newspapermen about the hard group's anti-Semitic activities. 25X1

The frustrating effect of party infighting on the

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

formulation of policy is suggested by the vagueness of Gomulka's recent statements on the course of the Polish economy. Despite impressive progress, the economy has suffered frequent dislocations and is constantly under policy review and discussion. Gomulka is attempting to solve part of the problem by advocating closer integration of bloc economies, a solution which has supporters and opponents in both factions. Conservative economists strongly favor a return to rigid centralization to combat these problems. Liberals are delighted, on the other hand, with Khrushchev's recent recommendation that serious studies should be made of Soviet economist Liberman's theories about the role of the profit motive and a broadening of local economic authority.

Internal security matters are hotly debated, and any change in the system which might give political advantage to either group is immediately challenged by the other. While most changes have resulted from compromises, a gradual tightening of internal security has been effected, and the conservative group appears to have reinstated a significant number of its adherents in the security apparatus. It has not been able, however, to exploit these gains in order to secure unobstructed political advantage. Many issues, such as

"reform" of the system of private physicians and lawyers, have been bitterly--if quietly--fought for more than two years with no solution in sight.

In short, efficient policy making, as well as smooth day-to-day functioning of both the party and government, has been frustrated by the underlying factionalism. The fact that Gomulka has permitted such factionalism to exist for so long has tended to crystallize resistance to his efforts to unite the party.

Since June, Gomulka has avoided risking a central committee plenum where matters might come to a head prematurely and give the appearance of a party crisis. Instead he recently staged a "party conference" with an agenda strictly limited to discussion of absolutely necessary business--the economic plan for 1963 only and certain related matters.

Present indications point to a purge of hard-liners but with a concomitant tightening of controls over the liberals.

25X1

25X1

* * *

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****NEW SATELLITE ECONOMIC CREDITS TO UNDERDEVELOPED COUNTRIES**

The European satellites' need to strengthen and consolidate their economic and political relations with the underdeveloped countries has led them to disregard some popular resentment of their foreign aid programs. Official policy statements continue to stress the importance of these countries as a market for manufactured goods and a source of food and raw materials.

During the past five months, about \$126 million in new economic credits have been arranged. If additional credit offers are accepted--the largest now pending is a Czechoslovak offer of \$69 million to Egypt--total satellite credits this year may rise to well over \$250 million. Since the inception of the bloc's foreign aid program in mid-1955, the satellites have provided nearly \$1 billion in economic aid to the underdeveloped countries.

Poland and Czechoslovakia--the two most active satellite participants in the program--provided the bulk of new credits extended in 1962. The largest are two Czechoslovak credits to Egypt--\$57 million extended last March and the \$69 million credit still to be arranged. Poland has extended credit of \$32.5 million to India and \$26 million to Brazil, the first major bloc credit accepted by that country. The remaining credits are of a modest scale and have been provided by Hungary, Rumania, and Bulgaria.

Satellite attention this year was focused primarily on the Middle East and in particular on Egypt, where firmly estab-

lished commercial relations exist. Cairo this year has already accepted more than \$100 million in credits for economic development from Hungary, Poland, and Czechoslovakia, while East Germany agreed to provide some type of credit arrangement under the terms of its new trade agreement. New satellite aid overtures also have been made to both Syria and Yemen. Czechoslovakia apparently has concluded some type of economic and technical assistance agreement with the Yemeni Republic, but details have not yet been disclosed.

In Asia, Czechoslovakia extended a small credit of \$1.4 million to Burma for the purchase of agricultural equipment, while Rumania agreed to provide assistance to the Burmese petroleum industry. Poland's \$32.5 million credit to India was for development of its coal industry.

Although new credits extended to African countries during this year have totaled less than \$21 million--the largest is a Polish \$12 million credit to Morocco--the satellites are continuing to press for closer economic relations on that continent. Aid overtures have been made to several countries including Tanganyika, Dahomey, Niger, and Senegal.

In addition, satellite assistance to Algeria appears to be moving from relief-type aid to formalized economic and technical assistance. Czechoslovak, Polish, and Bulgarian credit offers apparently now are under consideration by the Algerian Government.

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

SOVIET ARMS AID TO THE MIDDLE EAST

Soviet military equip-
ment recently supplied to Iraq
has included the first deliveries
of surface-to-air missiles
(SAMs) and missile-equipped
MIG-21 (Fishbed) jet fighters
to that country. The 16 SAMs,
along with associated equipment,
probably are destined for Abu
Ghurayb, near Baghdad,

[Redacted]

Other shipments to Iraq
this year provided 10 TU-16
(Badger) jet medium bombers, 20
T-54 medium tanks, and a variety
of other land armaments.

[Redacted]

The UAR also received
surface-to-air missiles in re-
cent weeks.

[Redacted]

In recent months the
USSR has also delivered addi-
tional TU-16s and missile-

equipped MIG-21s to the UAR
and has supplied a dozen AN-12
(Cub) heavy transports. Ad-
ditional T-54 tanks and P-6
motor torpedo boats also have
been provided, as well as a
variety of other weapons and
equipment.

As a result of talks
with Yemeni officials late last
month in Moscow, the USSR soon
may begin to provide direct arms
aid to the new regime. The head
of the Yemeni delegation, who
returned late last month from
the USSR, announced that mil-
itary as well as economic agree-
ments had been concluded in
Moscow and Prague.

[Redacted]

Major arms deliveries to
Syria by the USSR under this year's
military aid agreement have not
yet begun, but training now is in
process in the USSR for Syrian
personnel on the equipment to be
provided. Syria, like the UAR
and Iraq, probably will receive
SAMs, MIG-21s, possibly some
naval craft, and a variety of land
armaments.

[Redacted]

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****THE SITUATION IN YEMEN**

25X1

25X1

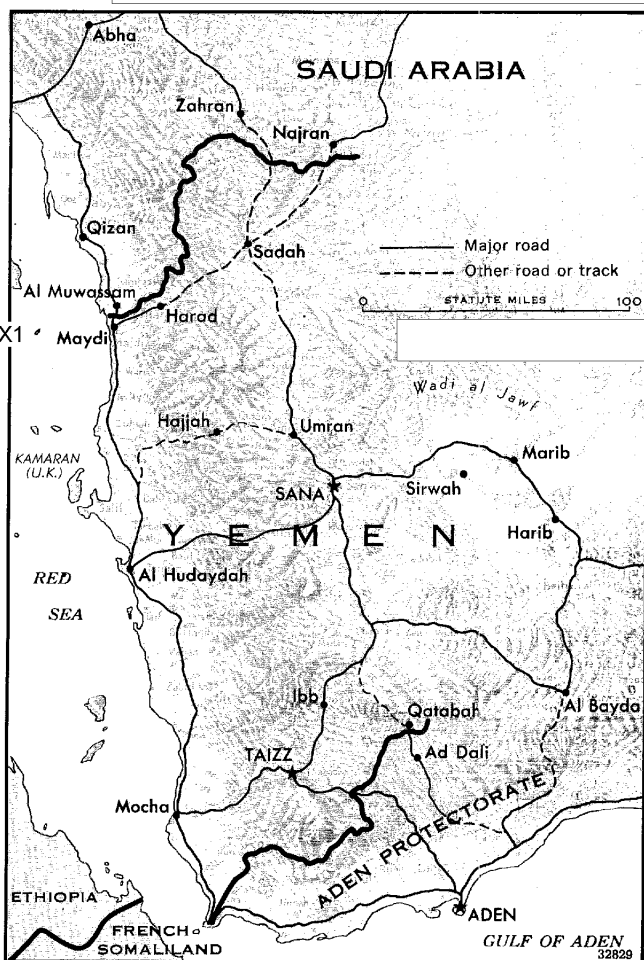
Fighting between royalist tribes and revolutionary forces is still centered in the north around Sadah and in the east near Sirwah. Egyptian forces in these areas have recently been reinforced and resupplied, and the royalists' chances for decisive successes appear slim.

By 1 December flying conditions over Yemen had improved sufficiently to allow the Egyptians to resume their air operations. In addition to the strikes by TU-16 (Badger) jet medium bombers from Egyptian airfields, operations with small planes from Yemeni fields have been stepped up to 25-35 sorties per day.

There is no evidence that the Egyptians are preparing any part of their forces in Yemen for withdrawal. While Egyptian troops have made gradual progress, the tribal resistance in the north and east is likely to remain stubborn enough to make hazardous any significant Egyptian withdrawals for some time to come.

Supplies and materiel, and possibly some personnel, continue to move from Egypt to Yemen. At least six Egyptian merchant ships are regularly involved on the run to Yemen, and Egyptian transport aircraft fly supplies to Yemen on a daily basis.

25X1

**SECRET**

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

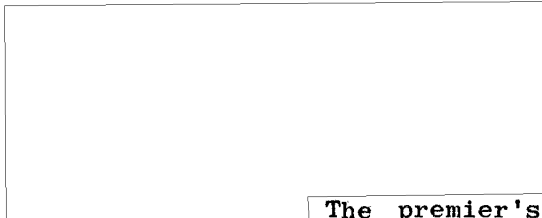
CONGO

25X1

Congolese Premier Adoula's political position remains extremely shaky in the wake of opposition attacks on him in the Chamber of Deputies on 28 November. He appears tired, uncertain, and acutely depressed, and has several times threatened to resign. He has complained to Ambassador Gullion that the cabinet and Parliament were becoming unmanageable, and that new US and UN pressures on Katanga's Tshombé were probably too late. It seems doubtful that Adoula can stay in office long without extensive concessions to the opposition.

One of the concessions Adoula seems ready to make, despite adverse Western reaction, is to release Antoine Gizenga, Patrice Lumumba's leftist "heir," who attempted to establish his own regime in Stanleyville with radical African and Soviet bloc support. A government commission visited Gizenga in his island prison on 1 December and reportedly will recommend his release.

Concessions already made and the prospect of more such concessions have generated strong criticism and apprehension among Adoula's closest advisers.



The premier's opponents appear to have the votes to block his program--or to wring substantial concessions from him. Efforts to force him to oust individual ministers will probably be more successful than their attack on the government as a whole.

To try to bolster Adoula and to exert pressure on Tshombé, the UN military command has begun a build-up of its forces in Elisabethville. Secretary General Thant's military adviser, General Rikhye, is in the Congo to survey the situation. Initially, the build-up is aimed at putting psychological pressure on Tshombé; there are no indications that Thant has as yet approved any UN military initiative.

At the same time, UN officials in New York reiterate that there must be progress on Tshombé's part soon, and they believe that there are a number of measures they can take within their present UN mandates.

The movements of UN forces, publicized threats by the UN of impending economic sanctions, the current US-Belgian consultations on the Congo, and rumors that the Belgian mining companies were about to stop their payments to Tshombé in favor

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

25X1

of Leopoldville have raised apprehensions in the Katangan regime and among the local Belgian population. About 200 Belgians participated in a carefully staged protest demonstration in Elisabethville on 4 December.

Tshombé told the US consul on 28 November that if economic sanctions were imposed "every bridge, every road, every plant" in Katanga "will go into the air." Two days later Tshombé repeated that "everything will be destroyed, everything."

The possibility that Tshombé would retaliate against Belgian mining installations in Katanga has in the past served as the basis for Union Miniere's refusal to halt its payments to Tshombé. Local officers of the company have repeatedly expressed doubts that the UN military force could protect their installations.

Congolese sources have recently given American officials the impression that Soviet officials have again offered military assistance to end the Katanga secession. While Soviet propaganda has sought to discredit the UN and the pro-Western Adoula government, it is doubtful that Soviet military assistance to the Congolese army would materialize unless there were a radical change in Congolese politics and in the hostility of other African states toward outside involvement in Africa's internal affairs.

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****HONG KONG'S REFUGEE PROBLEMS**

The flow of refugees from the mainland of China to the British colony of Hong Kong, which reached a monthly peak of some 70,000 in May, continues at a diminished rate.

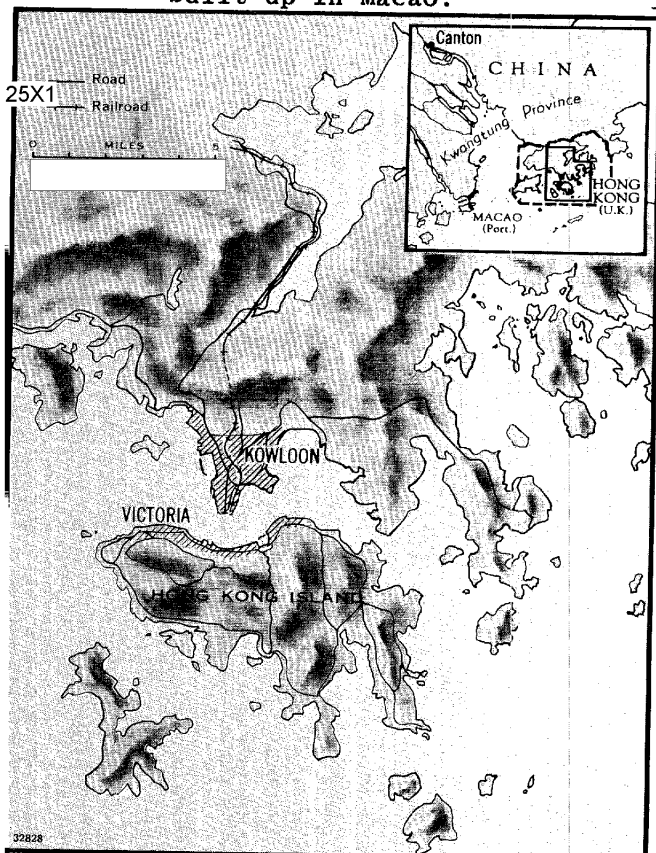
Since the Chinese restored tight controls over the land border in late May, most of the refugees are arriving by sea. Some of these come directly from nearby mainland areas, but most of them come from Macao with the help of well-established smuggling gangs.

In June and July, after the Hong Kong land frontier was closed, the flow of mainlanders into the Portuguese colony increased substantially. It now appears to have leveled off since the Communists tightened security and restricted exit permits, but a backlog of some 4,000 refugees hoping to reach Hong Kong appears to have built up in Macao.

The influx of mainland Chinese poses serious problems for Hong Kong, already hard pressed to provide employment and social services for its swollen population of approximately 3.3 million. A government official has estimated that the population will increase by 272,000 in 1962; more than half of this total--145,000--will be illegal immigrants. This continuing increase also puts a great strain on the colony's security services.

The smugglers nevertheless have adopted more ingenious evasion tactics, including the use of small sampans that are harder to detect and high-powered speedboats that can make a quick run to shore. As their risks have increased, these operators have doubled and reboubled their charges for transporting the illegal immigrants. Many are willing to pay, however, because the government allows anyone reaching the central metropolitan areas of Kowloon and Victoria to remain.

The majority of the refugees are from Kwangtung Province. Although there has apparently been a slight improvement in living conditions in Kwangtung since the summer harvest, disenchantment with the regime is still strong. Another relaxation of Chinese Communist restrictions on refugees might well loose a new wave at Hong Kong similar to the one last spring. There is no indication at present that Peiping is contemplating such a move.

**SECRET**

Page Denied

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****PORTUGUESE CABINET CHANGES**

The outstanding feature of Portuguese Prime Minister Salazar's cabinet reshuffle of 2 December was the dismissal of Overseas Minister Adriano Moreira. Moreira had been an advocate of greater autonomy for the overseas possessions and was widely regarded as a likely successor to Salazar.

The new overseas minister, Commander Antonio Peixoto Correia, showed some pro-African tendencies during his recent tenure as governor of Portuguese Guinea. Most of the evidence suggests, however, that Lisbon intends to slow down reform measures in the African territories.

In dismissing Moreira, Salazar was probably influenced not only by pressure from vested interests in Portugal who opposed Moreira's reform program but also by reluctance to keep in a high post a subordinate who was astutely developing his own personal following and was suspected of planning to push Salazar aside.

The young and energetic Moreira had in recent months clashed increasingly with the popular governor general of Angola, Vanancio Deslandes, over details of the rather modest reform program in that overseas province. In September he persuaded Salazar to dismiss Deslandes--apparently by threatening to resign--and came under strong criticism himself as a result.

Peixoto Correia, relieved as governor of Portuguese Guinea

in October, was reportedly criticized by the local Portuguese population for the sympathetic attitude of his administration toward the natives. His new appointment may be intended to shield the regime from increasing international criticism of its colonial policies at a time when Lisbon seems to be holding up implementation of even the modest reforms it has so far enacted.

Angola now has a new governor general shorn of some of Deslandes' powers who is not likely to act without authorization from Lisbon. There is widespread suspicion in the province that Deslandes' reforms will be largely disregarded.

In Mozambique the resignation of Governor General Sarmiento Rodrigues, announced on 30 November, has created a public feeling that the clock is being turned back. Admiral Sarmiento Rodrigues has increasingly advocated socio-economic improvements. Appointment of either of his two most likely successors would almost certainly mean the end of recently introduced labor and education reforms.

In the cabinet reshuffle, which involved the replacement of five ministers, Salazar turned over the defense portfolio he himself had held since April 1961 to General Manuel Gomes de Araujo, chief of staff of the armed forces. It is generally believed that the new education minister, Galvao Teles, will adopt a more conciliatory policy toward the restive university student groups. 25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****NATO MINISTERIAL MEETING**

NATO foreign and defense ministers will hold their annual meeting in Paris from 13 to 15 December. Uncertainty over the future course of Soviet policy and over the outcome of UK-EEC negotiations makes any major decisions unlikely. The discussion of military questions will center on the need for stronger conventional forces, and a more equitable method of sharing defense burdens will be emphasized. The question of NATO's nuclear role is apt to be soft-pedaled pending the conclusion of North Atlantic Council (NAC) studies currently under way. Growing interest in this subject, however, may evoke some new indications of the attitudes of member countries and opinions of individual ministers.

Recent NAC discussions on the outlook for East-West relations in the light of the Cuban crisis have reflected differing views. Belgium, Canada, and the Scandinavian countries favor renewed Western initiatives in negotiating with the Soviets on a broad front, including development of a new basis for a Berlin settlement. Some of the other members, on the other hand, believe it would be premature for the West to make any proposals before Soviet intentions are clarified.

The alliance is still searching for an effective method of political consultation. The NATO countries have welcomed efforts to "inform" NAC of impending national policy moves during a crisis as valuable information, but there are complaints that such procedures fall short of true advance consultation before policy is finally decided. This criticism currently applies more to three- and four-power Berlin contingency planning than to the Cuban affair, which was generally acknowledged to be a special case.

Although most NATO countries admit that the Cuban crisis demonstrated the value of conventional forces in reacting to Soviet threats, the 1962 review of national military efforts shows that serious deficiencies in conventional forces continue to inhibit the achievement of NATO's

forward defense strategy requirements. The major military commanders intend to brief the ministers on what General Norstad called "critical gaps" when he addressed the Western European Union assembly on 3 December.

These gaps result from defense budgets inadequate to meet NATO force targets. They reflect the continuing insistence of some members, notably Britain and to a lesser extent Norway and Denmark, that national military efforts must be governed not by NATO goals but by economic, financial, and political feasibility.

The present economic strength of most alliance members, however, suggests that national defense budgets can reflect a more positive support of NATO force goals. Many of the members now feel that percentage of GNP is not a good yardstick for judging individual defense efforts. The Dutch, accordingly, intend to suggest a NATO study of more equitable standards.

The question of a multilateral nuclear deterrent is not on the agenda. In order not to interfere with UK-EEC accession talks, NAC agreed earlier this year to postpone discussion of whether and to what extent NATO members should have a greater share in the Western nuclear deterrent. Moreover, a series of briefings by US technical experts on the feasibility of a multilateral seaborne nuclear force has not been completed.

Nevertheless, there is evidence of increasing official preoccupation with this important issue. At the 4 December meeting of the Western European Union assembly, parliamentaries from the EEC countries and Britain overwhelmingly adopted a resolution calling for a NATO nuclear force, possibly composed of American and European components, and controlled by a single political executive. The resolution represents the most specific proposal to date^{25X1} by the Europeans on the organizational and control problems involved in creating such a force.

SECRET

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

Argentina's politico-economic crisis has again intensified. The primary cause is extreme dissatisfaction in all sectors over the Guido government's failure to reverse the downward economic spiral. The ouster of Economy Minister Alsogaray on 4 December may temporarily alleviate the situation

Alsogaray's brother, a general who is sub-secretary of war, is trying to get him reinstated, over the war secretary's opposition.

Alsogaray, who has dominated economic policy and advised on political matters, was forced out following heavy pressures from business groups, labor leaders, and leading economists. They pointed to a record number of bankruptcies, inflation, growing unemployment and labor unrest, and difficulty in paying government bills on time. Some of Alsogaray's strongest critics agreed with his policies but denounced his ineffectiveness, which they ascribed to presidential ambitions and poor administrative ability.

Alsogaray probably encouraged his "economic team" to resign in solidarity with him. These included five secretaries subordinate to his ministry, the public works and labor ministers, and the presidents of four official banks.

The new economy minister reportedly will be Dr. Eustaquio Mendez Delfino, a competent economist who has been a governor of the International Monetary Fund, secretary of the treasury, and president of the Central Bank.

War Secretary Rattenbach issued a communiqué on 5 December, probably in reaction to persistent reports of an impending military coup. He emphasized the army's "unshakable determination" to assure constitutional government, to fulfill the government's plan for national elections, and to oppose the establishment of dictatorial regimes. Ambassador McClintock reports that Rattenbach appears to have the steadfast support of the army command

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****TREND TO THE LEFT IN BRAZIL**

The administration of Brazilian President Goulart appears to be giving increasing influence to the extreme left. Anti-Goulart sentiment is rising, particularly in the key industrial state of Sao Paulo and in a major conservative party. Moderates and conservatives, however, are making no significant moves toward concerted opposition.

While most armed forces officers are moderates or conservatives, the recent appointment of extreme leftist General Oromar Osorio as commander of divisional artillery in Rio de Janeiro continues the Goulart administration policy of choosing the more leftist officers for command positions.



Communists are also making gains in the traditionally government-dominated labor movement. In late November, Roberto Morena, a prominent old-line Communist long active in the international Communist labor movement, was elected president of the Industrial Workers Pension Institute. The institute has substantial funds at its disposal, and Morena can be expected to use these for Communist purposes.

Brazilian officials concerned with economic development are showing increased hostility toward the United States and increasingly open willingness to get along with Communists. Celso Furtado, cabinet minister for economic development and head of a key

economic development agency, recently told US officials that "10 percent" of his agency's personnel, including known Communists, oppose cooperation with the United States. He said he has no intention of removing this element. Furtado and some of his subordinates have been sharply critical of the Alliance for Progress during the past month.

The Brazilian-Polish agreement of 3 December provides for a \$26 million credit for the construction of a 200,000-watt thermal electric plant in Rio Grande do Sul. A US-owned power company in that state was expropriated in 1959 by Governor Leonel Brizola, Goulart's ultranationalist brother-in-law. The Polish credit is the first sizable bloc credit to Brazil. The possibility of Soviet technical and military aid is reportedly under discussion.

Brazil faces a financial crisis. Gold and foreign exchange reserves are likely to be exhausted by the end of the year, and commercial arrears are substantial. Goulart, however, appears to be devoting little attention to this problem. He is preoccupied with the 6 January plebiscite, expected to restore full powers to the presidency.

Moderate and conservative parliamentary factions voted on 30 November to confirm Prime Minister Hermes Lima. They were probably motivated by the conclusion that a cabinet crisis this close to the plebiscite, by adding to exasperation with the parliamentary system, would increase significantly the expected support for Goulart's assumption of full presidential powers.

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****PROSPECTS FOR COMMUNIST SUBVERSION IN COSTA RICA**

The Costa Rican Government, which has long refused to consider internal Communist subversion a major threat, now has begun to show some concern over the activities of the local party.

The immediate causes are the growing impact of a long-standing financial crisis, and an angry public reaction, fanned by opposition parties and Communists, to fatalities resulting when Civil Guardsmen used firearms in suppressing a riot on 23 November in Cartago. The disorders arose out of a protest against increased electricity bills.

President Orlich has charged that Communists were involved. He may feel that in the current atmosphere of crisis in the Caribbean, this is a useful argument for US aid. He wants substantial financial assistance to enable him to alleviate the financial crisis before it becomes a major threat to his government.

25X1

[redacted] the threat of Communist-inspired insurgency or guerrilla warfare in Costa Rica in the foreseeable future is minimal. The predominantly middle-class socio-economic structure of Costa Rica and the relative political maturity of the populace in comparison with that of neighboring countries does not afford the Communists a situation they can readily exploit.

The illegal Popular Vanguard (Communist) Party (PVP), with about 300 members, has

shown little capability in organizing even minor demonstrations in the face of well-organized anti-Castro groups composed largely of university students. Local security forces, which have recently had to protect PVP members from physical violence at the hands of local anti-Communists, appear capable of dealing with anything which the PVP in turn might be able to organize.

The PVP nevertheless is the most sophisticated Communist party in Central America and has demonstrated a capability to provide intellectual and logistical support to its counterparts in neighboring countries. The PVP receives financial aid from the USSR.

Since the poor showing of a Communist-backed front party in the February 1962 elections, the PVP has turned its attention to developing a capability for insurgency. In the past 16 months about 100 Communists or Castro sympathizers have received training in Cuba, some of it presumably of an activist nature. At the last party congress in April, the PVP, which had previously stressed propaganda and constitutional political activity, chose leaders favoring terrorism.

When the US announced the Cuban quarantine, the PVP appeared stunned and unprepared to take strong action in the face of the enthusiastic support given the US stand by the Costa Rican public and government. Since that date, the Cartago riot has been the only incident affording the Communists an opportunity to turn unrest into

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

violence. Despite President Ohrlich's statement, however, there is no firm evidence that Communists precipitated the violence or had any advance knowledge of the demonstration.

If the financial crisis remains unsolved and the attendant problems of unemployment and declining productivity continue to grow, the PVP may have more success in efforts to rebuild its strength among the banana workers, who form Costa Rica's largest single rural labor group and have been a frequent target for Communist activity. The Communist labor union among the banana workers lost about three quarters of its members during the past year largely because of well-publicized financial irregularities and of programs instituted

by management and the government to counter the union. The PVP nevertheless still hopes eventually to organize guerrilla activity in the banana-growing southwestern part of the country.

If a breakdown of public authority or civil war were to ensue from strife among the non-Communist parties, the PVP would probably try to establish a Communist regime. The possibility of such a power void appears remote, however, and chances for a successful Communist takeover even more so. The PVP is not believed to have any assets in high public office, and the bulk of the Costa Rican population is firmly anti-Communist and would forcefully oppose any Communist attempt to seize power.

25X1

* * *

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****PRE-ELECTION OUTLOOK IN THE DOMINICAN REPUBLIC**

The Dominican Republic is to choose a president and a bicameral legislature on 20 December in its first democratic election in more than 30 years. The relative calm prevailing in the final three weeks of the campaign suggests that the voting will take place on schedule. Earlier, however, a tense atmosphere over a period of two months had resulted from the activities of extreme left-ist parties boycotting the election and of Trujillo remnants, and from the wrangling of inexperienced party members.

More than a score of political parties have sprung up since the ouster of the Trujillo regime, but those of the far left have been suppressed or disrupted since the Cuban crisis and disavowed the electoral process in any event. Others are running only congressional candidates.

Observers believe that the election, both for the presidency and congress, will be dominated by the Dominican Revolutionary Party (PRD) of Juan Bosch and the National Civic Union (UCN) of Viriato Fiallo. Neither party has made anti-Americanism an issue, and either will probably cooperate with the US, particularly the UCN. The PRD is left-of-center. The UCN is a center party in over-all make-up, but has conservative elements which will cause it to gravitate to the right.

The technical problem of creating electoral machinery has touched off heated charges

of political favoritism and chicanery. Resignation of the Central Electoral Board, which would probably have forced cancellation of the election, was averted only by a formal apology from party leaders.

The parties, in a bid for votes, have been supporting workers in a rash of illegal strikes, weakening respect for the present seven-man ruling Council of State and increasing the financial problems which will face the new government which is to take office on 27 February.

The major threat, however, came from two members of the Council of State, Antonio Imbert and Luis Amiama. Only survivors of the group which assassinated Trujillo

25X1

Imbert and Amiama have been embroiled with President Bonnelly, the other members of the Council, and armed forces leaders over moves to satisfy their demand for assured personal safety. Armed forces leaders accepted a Council decree making the pair brigadier generals and "supervisors" of the armed forces, but have refused to allow them any actual military authority. Imbert and Amiama have been pushing for formal control over the 8,000-man police force,

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

already responsive to Imbert's influence.

Recently Imbert appears to have become convinced that the armed forces will not permit him to seize power. As recently as 27 November, however, in a talk with the US ambassador, Imbert suggested that he should reorganize the Council of State and extend its rule for two to three years. He offered to appoint members acceptable to the ambassador.

Possible intervention by persons prominent under the Trujillo family members now in Europe remains a threat both to the election and to the ultimate installation and viability of an elected government.

Former President Joaquin Balaguer recently failed in a well-publicized attempt to return as a presidential candidate

Now in the United States, Balaguer has been unable to book passage because commercial airlines face heavy fines if they land him at Santo Domingo.

However, former Major General Rodriguez Echevarria, also in exile in the US, is a trained pilot and might fly Balaguer to the Dominican Republic. Rodriguez was Balaguer's defense minister, and tried to oust the Council of

State by military coup last January.

A former Trujillo associate recently told an FBI representative in Paris that the late dictator's brother, José Arismendi Trujillo, claims he is prepared to return by way of Haiti, and that he expects support from the Dominican Army.

Military support for the return of the Trujillos is most unlikely. Any attempt by the Trujillos, Balaguer, or Rodriguez Echevarria to return, however, would revive the Trujillo issue. This would give Imbert and Amiana the pretext they need to obstruct the election or try to set up a "little dictatorship," as Amiana proposed a few months ago.

Election and inauguration are not likely to end the problems of installing a democracy. The parties are blends of idealists, amateurs and opportunists, with a leavening of Trujillo remnants available to most parties as strong-arm squads. Dominican political inexperience and fatalism, stemming from a history of despotism interrupted only by the US occupation from 1916 to 1924, will continue for the foreseeable future to make the country vulnerable to opportunists of every political brand.

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****GUATEMALAN PRESIDENTIAL ASPIRANT AREVALO**

Juan Jose Arevalo, president of Guatemala from 1945 to 1951, will try to regain that post in presidential elections scheduled for December 1963.

Arevalo cannot formally become a candidate until March, when two full presidential terms will have elapsed since he left office. He will remain abroad until formal candidacy protects him from prosecution on charges related to his earlier term of office. While more than 20 potential rivals are still jockeying for political backing, however, Arevalo's campaign is already under way.

Last month's important mayoral election in Guatemala City showed that none of Guatemala's political parties have the appeal they thought they had. The result has been a confused scramble for new political alignments which, for the moment at least, leaves Arevalo in the position of leading candidate.

President Ydigoras, with more than a year of his term remaining, is determined to serve out his term despite strong public dissatisfaction with his regime. Other politicians and some of the military feel that the only sure means of stopping Arevalo is to prevent the elections or rig their outcome. As a result they are more concerned with political manipulations than with the development of any genuine appeal to the voters.

Arevalo, meanwhile, is benefiting from the Guatemalan public's highly selective recall of the high points of his administration in comparison

with the successive crises of subsequent governments. Arevalo rode into office on a wave of optimism following a revolt against a dictator. His program of broad social and economic reforms was facilitated by the postwar economic boom, particularly in coffee, Guatemala's primary export.

His reform program was corrupted, however, by venal and inexperienced officials, and his ultranationalist government moved steadily to the left. This paved the way for the Communist-dominated Arbenz government. Arevalo has been writing and teaching in exile in Latin America since Arbenz was overthrown in 1954. He settled in Mexico in February to map out his campaign for the presidency. He is frequently visited by his supporters.

The extent of Arevalo's appeal will be hard to judge until his return to Guatemala, but it is believed to be substantial. It is based on disappointment over Guatemala's stagnation, and on a broad

**AREVALO****SECRET**

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

feeling that the Communists under Arbenz, the rightists under Castillo Armas, and now Ydigoras' clique have all governed Guatemala primarily in self-interest. Arevalo on the other hand has carefully nurtured his image as a strong nationalist who rejects US economic influence in favor of solutions of his own.

Most Guatemalans see no promise of any new approach in the preoccupation of the other candidates with the formation of new political and economic power alignments. This enhances Arevalo's basic advantage.

A strong and persistent part of Arevalo's political philosophy is hostility toward any US role in Latin America. He is convinced that any US activity, including the Alliance for Progress, is designed primarily for the economic advantage of the US. He seems to cling deliberately to an exaggerated concept of the role of private economic interests in the US Government, and a belief that self-seeking economic motives underlie Washington's Latin American policy, despite

experience and contacts which might have disabused him.

He publicly denounced Castro and Communism earlier this year, and has given some indications that he realizes the value of at least tacit acceptance by the US. His basic attitudes, however, appear materially unchanged. His brother told a US official in August that a new Arevalo government would mobilize Guatemalan resources for economic development without foreign aid.

As President of Guatemala, Arevalo felt he could use individual Communists without being influenced by them or giving them a foothold in government. He still maintains close personal contacts with a number of Communists, out of

[redacted] 25X6
an ambition which makes their assistance appear desirable. His persistence in this association constitutes the principal danger of his candidacy to US interests. [redacted] 25X1

* * *

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**SPECIAL ARTICLES**KHRUSHCHEV'S CUBAN VENTURE IN RETROSPECT**

The basic motivation underlying Khrushchev's bold gamble in deploying strategic missiles to Cuba was the compelling need of a dramatic breakthrough which would strengthen the USSR's position on a whole range of questions in the contest with the US. The Cuban venture had the direct and immediate purpose of strengthening Khrushchev's position for a major diplomatic showdown on the Berlin and German questions which he planned to launch before the end of the year.

Background

Khrushchev had been groping over the past year and a half for some means of extricating himself from the impasse created by his failure to force the West to accept a Berlin settlement on Soviet terms. His statements during this period reflected a growing concern over the steady erosion of the USSR's over-all position vis-a-vis the West. The introduction of strategic missiles into Cuba provided, in his mind, the most effective means of scoring a dramatic victory over the US which would enable the USSR to recover the diplomatic initiative and achieve a decisive advantage in a new round of Berlin negotiations.

Khrushchev also believed the creation of Soviet missile bases in Cuba would greatly enhance the USSR's ability to deter another US-supported attempt to destroy the Castro regime.

The opportunity for Khrushchev's bold stroke arose when it became apparent last spring that the rapid deterioration of the Cuban economy and the growing demands in the US for active intervention in Cuba

required prompt and far-reaching action to avert a crisis for the Castro regime. Moscow was thus in a strong position to exchange vital economic and military assistance for Castro's consent to the deployment of missiles in Cuba.

A second major element in Khrushchev's decision was a major reassessment in early May which substantially downgraded the prospects for achieving a Berlin settlement on acceptable terms. This new estimate represented a marked change from the optimistic view which prevailed in Moscow following Gromyko's talks with Secretary Rusk at Geneva in March.

Bloc spokesmen in late March expressed confidence in an early Berlin settlement, and the USSR took a variety of steps designed to improve the atmosphere. These included the suspension of Soviet flights in the Berlin air corridors and measures to restore normal relations between the Soviet and US commandants in Berlin.

In an interview with an American publisher on 20 April, Khrushchev said he was prepared to meet with President Kennedy again and professed to see a "glimmer of hope" for a Berlin agreement. Gromyko also took a hopeful line in his speech to the Supreme Soviet on 24 April. He stated that, although obstacles remained, his talks with Secretary Rusk had demonstrated the desire of both governments to "search for a rapprochement of positions."

These hopeful appraisals were based on Moscow's reading, or misreading, of the proposals for a modus vivendi which Rusk had outlined to Gromyko in March. The Soviet leaders interpreted these proposals as

SECRET

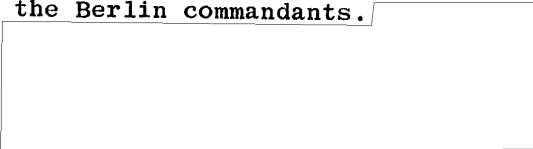
SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

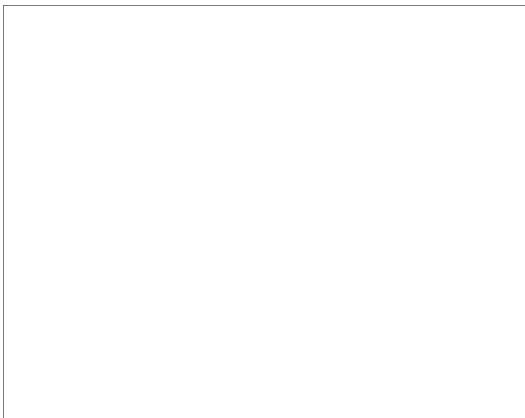
marking a significant change in the US position and as an indication that the US was finally ready to undertake serious negotiations.

Moscow's euphoria, however, was short-lived. The Soviet press began to display uneasiness over the future course of the negotiations after the NATO ministerial meeting in Athens in early May. Pravda charged the US with raising new obstacles in order to stall the talks and displayed sensitivity to statements by Secretary Rusk and General Clay which contradicted the optimistic assessments of Khrushchev and Gromyko in late April.

By mid-May, the Russians had begun to draw back from their earlier efforts to restore normal relations between the Berlin commandants.



By late May or early June, it seems likely that Khrushchev had decided to set aside further diplomatic efforts on Berlin and to undertake a rapid buildup of offensive weapons in Cuba during the summer months.

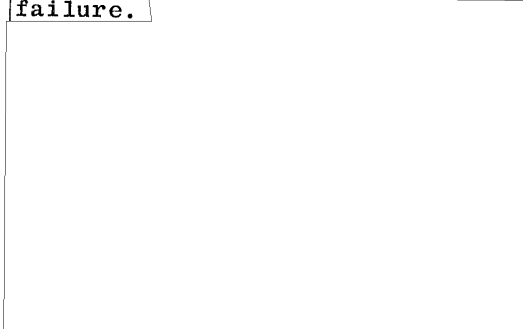


Buildup in Cuba

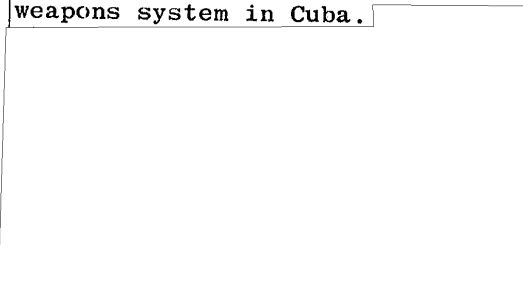
Khrushchev would never have undertaken the Cuban venture if he had not persuaded himself that he could complete

the clandestine introduction of the missiles and confront the US with a fait accompli which would deter any effective US military reaction. He must have recognized that in advancing Soviet strategic power to Cuba he was greatly reducing the margin of safety which had characterized his major decisions in the past. He apparently permitted himself to believe, however, that the very high stakes involved justified the increased risks.

The outcome of this venture strongly suggests that Khrushchev simply did not candidly examine the consequences of failure.



Throughout most of May and June, the USSR applied forced-draft measures to assemble the necessary personnel and equipment for the rapid shipment and installation of an advanced weapons system in Cuba.



The beginning of the heavy shipments of equipment and personnel to Cuba in mid-July was accompanied by new Soviet political initiatives designed to set the stage for the diplomatic showdown on Berlin planned for late 1962 and to divert world attention from the military buildup in Cuba. Khrushchev announced a new proposal to replace Western occupation

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

forces in West Berlin with troops of four smaller NATO and Warsaw Pact powers under United Nations jurisdiction.

On 21 July, Moscow announced its intention to resume nuclear testing.

Despite these efforts to persuade the West to believe that events were moving toward a Berlin showdown, Moscow refrained from breaking off contacts with the US and from generating fear of an impending acute crisis. It aimed instead at a gradual build-up of the war of nerves which apparently was intended to reach a climax after the missiles were in place and Khrushchev was ready to make his dramatic appearance at the UN in late November.

The Crucial Period

The Soviet leaders appear to have regarded the period from late August through the first part of October as the time of greatest danger and vulnerability for their Cuban operation.

Throughout this crucial period, the Soviet Union did its best to divert Western attention away from the heavy influx of Soviet equipment and personnel into Cuba. On the diplomatic front, the Russians

spread the impression that they were developing major new proposals with regard to Berlin, and Khrushchev told visitors that he was considering placing Berlin before the General Assembly personally. In Berlin, the Russians exploited incidents along the wall in late August to fill the air with charges of Western "provocations" against East Germany. They dominated the headlines with the "crisis" over the use of Soviet armored personnel carriers to transport guards to the Soviet war memorial in West Berlin. Moscow also kept up a steady drumfire against alleged US preparations for an invasion of Cuba.

Under the pressure of increasing US attention to Soviet military deliveries, Moscow decided in early September to abandon the pretense about the nonmilitary character of these cargoes. In a joint communiqué on 2 September at the end of the visit to Moscow of Ché Guevara and Emilio Aragones, Moscow publicly acknowledged for the first time that it was providing military assistance and technicians to Cuba. Soviet propaganda, however, denied that the USSR was sending military forces to Cuba or establishing military bases on the island.

The Soviet statement of 11 September was Moscow's most important effort to deter US intervention in Cuba or US actions against Soviet shipping and to gain sufficient time to complete the installation of the missiles. It may have been inspired by the Soviet leaders' concern that President Kennedy's 7 September action in requesting congressional authority to call up 150,000 reservists might have been only the first of a series of US actions against the build-up and that the US had detected the true nature of the equipment being introduced into Cuba.

The statement charged that the US was "preparing for aggression

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

against Cuba and other peace-loving states" and warned that an attack on Cuba would signal the "beginning of the unleashing of war." It sought to check the growing alarm in the US over Moscow's intentions by stressing that Soviet military equipment in Cuba was designed "exclusively for defensive purposes" and by denying that the USSR planned to establish missile bases there.

But the USSR's most striking maneuver to inhibit US reaction, and undoubtedly the most effective in Khrushchev's judgment, was the declaration in the 11 September statement of a "pause" in Berlin negotiations until after the US elections. This was calculated to establish a link between Berlin and Cuba, with the clear implication that the USSR would not aggravate Berlin tensions if the US would refrain from intervention in Cuba. Khrushchev clearly believed that his strongest deterrent against US action to halt the buildup in Cuba was to portray Berlin as a Soviet hostage.

Although Moscow displayed considerable concern in the first half of October about US intentions and uncertainty about the extent of US information regarding the nature of the military equipment arriving in Cuban ports, Khrushchev appears to have remained confident as late as mid-October that US reaction would be confined to verbal protests, agitation in the UN, and possibly limited action to reduce the volume of Soviet shipments to Cuba. He seems to have interpreted the US posture in September and the first half of October as having confirmed his confidence that the Cuban gamble would succeed and that the US in the end would accept the presence of Soviet missiles rather than face a possible direct military confrontation with the USSR.

When the US reaction during the week of 22 October abruptly transformed what had been Khrushchev's boldest

foreign policy gamble into his greatest defeat, the Soviet premier displayed a very sober understanding of the real "correlation of forces" in the world. He recognized that he had no choice but to cut his losses and that any meaningful Soviet military response, not only in Cuba but in Berlin or elsewhere, was impossible because the failure of his Cuban venture also meant the failure of this bid to overcome US global strategic superiority.

The Week of Crisis

The Soviet leaders' initial reaction to President Kennedy's address on 22 October was designed to deter US military intervention in Cuba and to gain time in which to extricate themselves. They were careful to refrain from any commitments to specific countermeasures but, at the same time, they sought to avoid the appearance of acquiescing to the measures announced by the President. One of Moscow's first actions was to order Soviet ships en route to Cuba to turn around long before they reached the US quarantine line, despite statements by several Soviet spokesmen that the ships would proceed to Cuba and refuse inspection by US naval vessels. Khrushchev's first concern was to prevent incidents which might make the crisis more difficult to control.

The Soviet leaders also promptly announced measures intended to underscore the USSR's military preparedness to meet any eventualities. The Soviet statement of 23 October in response to the President's speech was aimed at gaining time for maneuvers to generate pressure on the US to lift the quarantine and abstain from military action against the missile bases. The statement did not specifically deny the existence of the missiles but repeated the September claim that Soviet military equipment in Cuba was "designed exclusively for defensive purposes."

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

Although Moscow denounced the US quarantine, it avoided any threats of countermeasures. The only specific action contained in the statement was a call for a UN Security Council meeting on the US violation of the UN charter and the threat to peace.

Khrushchev's immediate aim was to inhibit Washington's freedom of action by drawing the US into negotiations. On 24 October he called for a summit meeting and, on the following day, promptly accepted U Thant's appeal for negotiations and a temporary suspension of Soviet military shipments and the US quarantine.

The Soviet leaders sought to convey an impression of composure and calmness in dealing with the crisis. Khrushchev and other top leaders went backstage to greet an American opera singer after a performance on 24 October. The Soviet premier went out of his way to meet with a US industrialist for over three hours on the same day.

In this interview, Khrushchev adopted a confident stance, asserting that it was too late for the US to "take Cuba" and that the US would have to get accustomed to living with Soviet missiles in Cuba. He warned that the US could stop Soviet ships a few times, but at some point he would order his submarines to sink a US quarantine ship. Although he stressed the USSR's readiness to face up to a war, he concluded by indicating that a meeting with President Kennedy was both desirable and necessary.

Moscow's desire to prevent any escalation of the crisis

and to avoid provoking the US was also reflected in the limited military preparedness measures that were undertaken. The USSR also avoided any threats of retaliatory action in Berlin or at other points of East-West contention. Soviet propaganda played down the possibility of a new Berlin crisis and even professed to see a "more realistic approach" to the German problem in debates at the UN General Assembly.

Khrushchev's Retreat

By 25-26 October, Khrushchev had become convinced that the situation was critically dangerous and had to be liquidated at once. The firmness of the US attitude made it clear that Soviet maneuvers to gain time and involve the US in protracted negotiations were failing. In addition to the rapid concentration of US forces in the Caribbean area, the Soviet leaders probably received information which led them to believe that a US air strike against the missile installations or an invasion of Cuba might be imminent.

Confronted with these ominous prospects, Khrushchev decided that immediate action was required to avert US military intervention which would spell complete disaster for his Cuban venture, inflict enormous damage on the USSR's world position, and make the risks of any meaningful Soviet response elsewhere in the world prohibitive. On 26 October, he dispatched his long, rambling private letter to President Kennedy, indicating in guarded language Soviet willingness to accept US terms for a settlement.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

In less than 24 hours, Khrushchev sent another letter to the President which was published immediately in Moscow. It called for reciprocal Soviet-US withdrawals of offensive weapons from Cuba and Turkey under international supervision and for mutual nonaggression guarantees covering these two countries. This letter may have been part of a Soviet contingency plan prepared in advance to provide a line of retreat if the missile buildup should be detected prematurely and if US reaction was stronger than expected.

In his talk with the US industrialist on 24 October, Khrushchev had raised the question of US missile bases in Turkey, suggesting that he had some move of this nature in mind at that point.

Despite the inconsistency between his two letters, Khrushchev probably believed that the US leaders would regard the unpublished private message of 26 October as his real position and would dismiss the later one as a face-saving propaganda maneuver.

President Kennedy's 27 October reply stating that Khrushchev's private proposals of 26 October "seem generally acceptable" opened the way for the Soviet premier's public

backdown on 28 October. He then informed the President that a "new order" had been issued to dismantle the missiles and return them to the USSR. He represented the President's offer to give assurances against an invasion of Cuba as a formal commitment and declared that, in view of this alleged pledge, "the motives which induced us to render assistance of such a kind (offensive weapons) to Cuba disappear." Khrushchev also committed the USSR to reach agreement "to enable UN representatives to verify the dismantling of these means."

Postcrisis Negotiations

Khrushchev then moved quickly to get negotiations for a settlement under way, to impress the US with his good faith in carrying out his commitments, and to minimize Soviet responsibility for any complications which might arise. Deputy Foreign Minister Kuznetsov, who was immediately dispatched to New York, assured Ambassador Stevenson on 30 October that the missiles would be dismantled and removed in two or three weeks, after which verification could be carried out by any means the US desired. Gromyko also reaffirmed to Ambassador Kohler on the same day the Soviet desire to reach an agreement as quickly as possible.

Mikoyan's urgent trip to Havana via New York also reflected the Soviet leaders' concern that Castro's tactics might jeopardize the negotiations, revive the danger of US military action, and thwart the USSR's efforts to salvage its position in Cuba and the world.

In the first half of November, Soviet negotiators took

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

advantage of Castro's rejection of any form of UN inspection in Cuba and the easing of the crisis atmosphere to maneuver the USSR out of the embarrassing agreement to UN verification of the removal of the missiles. Although Khrushchev felt he had no choice at the height of the crisis but to agree to a UN role, Moscow was concerned that this would create a dangerous precedent in the future, particularly with regard to controls over any disarmament or nuclear test ban agreements.

Kuznetsov's first step was to agree to inspection by an International Red Cross team of Soviet ships en route to Cuba. After stalling on the implementation of this scheme, he proposed the bilateral arrangement whereby US naval vessels contacted Soviet ships carrying missiles back to the USSR for the purpose of counting the missiles.

After the withdrawal of the 42 missiles was completed on 10 November, the Russians turned their attention to countering US pressure for the removal of the IL-28 jet light bombers. They charged that the US was seeking to use this issue as a means of evading a formal noninvasion pledge.

Castro's unwillingness to release the bombers was almost certainly one of the principal areas of sharp disagreement in Mikoyan's protracted talks in Havana. At one point, Moscow attempted to evade this problem by publicly claiming that the

IL-28s were the "property of Cuban armed forces."

However, the growing indications that the US intended to impose more stringent quarantine measures apparently provided Mikoyan with the leverage which finally resulted in Castro's 19 November agreement to remove the bombers, which he now acknowledged "belong to the Soviet Government." Castro's statement--probably following a bitter "showdown" session with Mikoyan--enabled Khrushchev to inform President Kennedy that the IL-28s would be withdrawn just a few hours before the President's press conference on 20 November.

Moscow probably regarded this as the final step in liquidating the Cuban crisis. On 21 November, the USSR and other Warsaw Pact countries announced the cancellation of the special military preparedness measures that were put into effect on 23 October. All that remains, in the Soviet view, is for the US and the USSR to issue formal declarations in the UN, setting forth the fulfillment of the commitments contained in the exchange of letters between President Kennedy and Khrushchev.

The USSR's final goal, therefore, will be to obtain a clear US noninvasion pledge without undertaking any further Soviet commitments regarding UN verification of the removal of offensive weapons and of the nonreintroduction of such weapons into Cuba in the future.

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****WEST GERMAN ECONOMIC TRENDS**

After a decade of boom, West Germany's economy is experiencing a moderate slowdown characterized by diminished demand, rising costs and prices, and a decline in the growth of exports. There are good prospects, however, for continued prosperity at a reduced growth rate and for a return to equilibrium in international payments. Government efforts to contain inflationary pressures by means of budgetary restraint threaten to slow the defense build-up and to reduce Bonn's foreign aid program.

The Boom

From 1950 to 1960, the West German economy showed an average increase in GNP of more than 7.3 percent annually. Spurred initially by the postwar reorganization and reconstruction of industry, this unusual growth rate was perpetuated largely by an excellent export performance, resulting from the world demand for German machine tools and other capital equipment.

The Federal Republic is the strongest component of the European Economic Community (EEC). In 1961, its GNP was \$74.6 billion and its steel production was 33.5 million tons, accounting for 36 percent and 46 percent respectively of the EEC totals.

The West German living standard has become one of the highest in Europe, as evidenced by increasingly widespread ownership of household appliances, TV sets, and cars. In 1960, West Germans were eating twice as much meat and butter as in 1950 and proportionately less bread and potatoes. They were also drinking 50 percent more wine than before the war and considerably more beer. As tourists they spent \$520 mil-

lion outside the country in 1960 --nearly 19 percent above the previous year.

By 1961 an accumulated multibillion-dollar trade balance surplus forced the government to take corrective measures. By such efforts as an upward revaluation of the currency and increased foreign aid and capital exports, Bonn has returned to virtual equilibrium in its balance of payments.

Ironically the success of these efforts is partially responsible for a rise of uneasiness in German business and commercial circles, which fear that a weakening of the country's competitive position in foreign trade portends serious repercussions on the economy as a whole.

Current Difficulties

Last year the pace of economic activity faltered. The annual expansion in the GNP declined to 5.3 percent from 1960's 8.8 percent and in 1962 is expected to be only around 4 percent.

Although production growth was checked by shortages of plant and skilled manpower, a weakening of demand was probably also a factor. Steel production has declined to about 80 percent of capacity, and the rate of new investment in the first half of 1962 was only 4 percent above that for the same period in 1961 --as compared with increases of 10-12 percent in the previous two years. A reluctance on the part of industry to place new orders for machinery reflects pessimism over long-term prospects as costs rise and profit margins are squeezed.

West German labor unions, after many years of remarkable self-restraint, have recently

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

begun noisily demanding a larger slice of the national pie. Wages and salaries have risen sharply --by over 10 percent in 1961-- often exceeding productivity gains. This, in turn, has led businessmen to pass the difference on to consumers through higher prices.

Pressure on profits, political tensions, and somber economic warnings by government officials have helped depress the German stock market. Stocks have declined 34 percent so far this year.

Certain sectors of the economy are beset with special difficulties. Since 1958, the coal industry has faced a sales crisis arising from competition of cheaper fuel oil and gas. While fuel oil sales increased about 275 percent from 4.9 million tons in 1957 to 18.2 million tons in 1961, coal production has stagnated and sales have even dropped, causing vast accumulations of unsold stocks. Since 1959, coal output held an annual level of about 140 million tons, with unsold pit-head stocks of 11,874,000 tons as of May of this year.

Stringent rationalization measures, including the closing of marginal producers, are under way in the coal industry. Economists fear, however, that such efforts will be insufficient to avoid a bitter political struggle between the oil and coal interests. This could lead to more drastic fuel oil import restrictions--such as quotas--unless an effective energy policy can be worked out.

The recent collapse of the Willy Schlieker shipbuilding and steel empire has focused attention on the shipbuilding industry, where West German firms are losing out to foreign competi-

tors. Germany's share in total world shipbuilding declined from 17.3 percent in 1956 to 12.9 percent last year.

The main problem is the inability of German firms to match the favorable price and financing terms offered by Japan, the Netherlands, and other countries. Thus far German shipbuilders have refrained from seeking government subsidies--which are contrary to the 1957 EEC treaty--but are stepping up demands for other forms of government help, such as longer term export credits, lower interest rates, and long-term exchange rate guarantees.

Still another problem area is agriculture. Despite postwar gains in productivity and considerable progress in land reform, farming remains relatively inefficient and its products high priced. Difficult adjustments lie ahead as the competitive challenges of the Common Market come into play.

Farmers are becoming increasingly vocal in their demands for continued protection, as shown in recent protest demonstrations by farmers in Lower Saxony. The need for further efforts to modernize farm production and eliminate uneconomic units poses thorny political as well as economic problems.

Trade Developments

Despite a sharp decline in the growth of exports last year, Bonn's share of international trade has remained steady, indicating that its competitive position has not been appreciably weakened by the currency revaluation and wage increases. In 1961 its foreign trade reached a value of \$23.7 billion, putting West Germany ahead of the UK as the nation with the second-largest --after the US--trade volume in the free world.

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

Since 1950 West Germany's trade has increased by about five times from \$4.7 billion to an estimated \$25 billion in 1962. In 1961, its trade accounted for 31 percent of its GNP, as compared with 13 percent in 1936. Export surpluses have been recorded for every year since 1951--most recently \$1.2 billion in 1960 and \$1.6 billion last year. The surplus for 1962 is expected again to surpass the \$1 billion level.

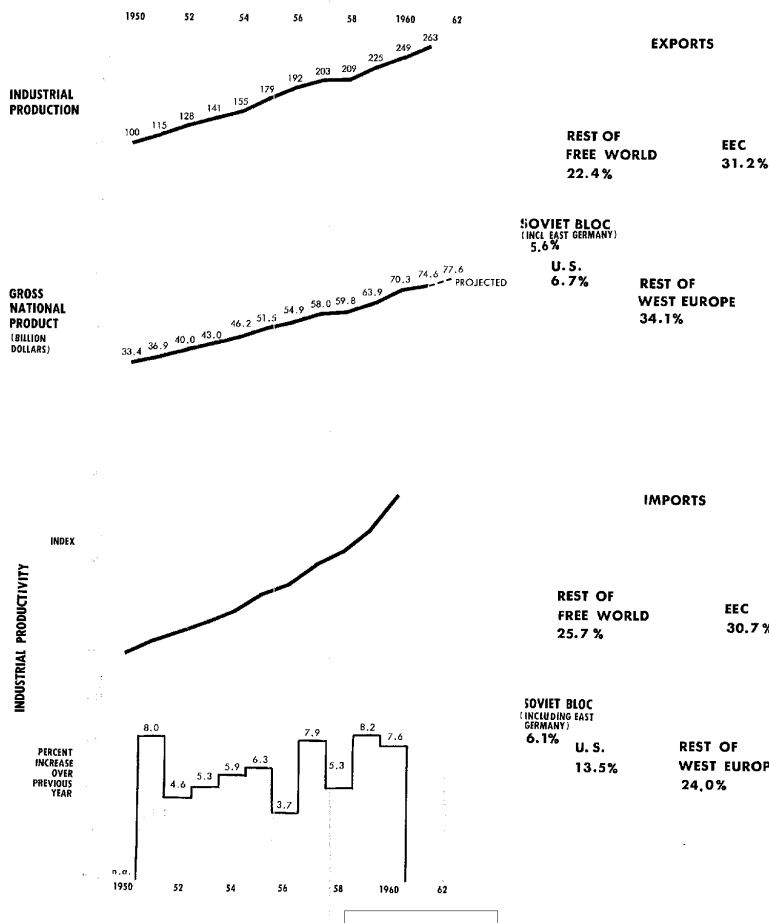
The Federal Republic's trade with the Sino-Soviet bloc over the last several years has averaged 6 to 7 percent of its global trade, and approximately

a third to a fourth of this bloc trade was with East Germany. In 1961, exports to the Soviet bloc were 5.6 percent of West Germany's total, while imports amounted to 6.1 percent of the total.

Government Measures

Alarmed over the effects of wage and price increases on exports, Economics Minister Erhard since early this year has been flashing alarm signals. He has been preaching wage restraint to labor leaders and price responsibility to businessmen. He has been demanding a brake on government spending.

WEST GERMAN ECONOMY, 1961



SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

His appeals, however, generally are being ignored. Labor leaders rejected his dire warnings on "exorbitant wage demands," and industrialists--notably the Volkswagenwerk--resisted his pressure to hold down prices. Chancellor Adenauer has continued to employ a long-favored device of handing out budgetary "election gifts" to special interest groups and tolerating wage and price increases to gain political favor.

Undaunted, Erhard has kept up the pressure and this fall was able to win government backing for a fairly mild anti-inflation program consisting largely of agreement on an absolute ceiling on the 1963 federal budget.

Under this budget, reductions are scheduled in some fields such as housing, and little or no expansion in other areas such as agriculture, transport, and labor. Defense is to get \$4.25 billion--a \$500 million increase over last year, but insufficient to achieve agreed NATO-force goals on schedule.

The foreign aid program is even harder hit. Budgetary aid funds for new development assistance projects in 1963 will come to something between \$125 million and \$250 million, as contrasted with this year's total of around \$312 million. Pressures are also increasing against Bonn's policy of providing development aid without ties to purchase of German products, and officials have hinted that a partial departure from this principle may be forthcoming soon.

Economic Outlook

Considering the persistent labor shortage and continued weak demand for investment goods and many consumer durables, industrial production has made a fairly good showing this year. In recent months, over-all production has been close to 6 percent above comparable 1961

levels, and compares favorably with the rate of growth recorded earlier in the year. However, West German officials are likely to continue using the inflation scare, the reduced growth rate, and a return to equilibrium in international payments as a basis for an overly cautious attitude toward defense contributions, foreign aid commitments, and trade policies.

25X1

In September, the cost of living was only 2.8 percent higher than a year ago, indicating that the threat of price inflation has eased somewhat. The economy remains basically healthy with no recession likely in the near future.

The labor shortage experienced over recent years remains the chief inhibiting factor to a further rapid increase in the country's GNP. Domestic labor reserves have dried up almost completely--the unemployed rate is currently a phenomenally low 0.5 percent. At the same time, there has been virtual cessation of the East German refugee influx, which in some years of the past decade contributed a total of 150,000 new workers. Furthermore, generally full employment conditions currently existing in other countries of Western Europe reduce the prospects for recruitment of adequate foreign labor.

The outlook at present is for a continued growth rate at the more modest rate of 3 to 4 percent annually over the next several years, suggesting somewhat more normal conditions of a maturing economy operating at a high level and full employment with appreciably less scope for expansion than previously.

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

MALAYSIA FEDERATION PROBLEMS AND PROSPECTS

Government leaders in Singapore, the Federation of Malaya, the British colonies of Sarawak and North Borneo, and the British protectorate of Brunei are moving toward the creation of the long-debated Federation of Malaysia. Encouraged by their British mentors, they aim at having the new federation in being by August 1963.

Singapore Problem

The objective of the promoters is to form a political structure which will include Singapore without allowing its 1.5 million Chinese to gain a dominant role. This was the problem which led Malay leaders to exclude Singapore from their peninsular federation when it was set up in 1957.

The problem has become more acute as it has become more obvious that the present moderate government of Singapore is unlikely to survive another election. Leftist influence has been gaining, and if Singapore itself is to go leftist, the argument runs, it would be far better if it did so within the context of a broad federation--controlled by moderate or conservative leaders--which would take charge of internal security, foreign policy, and defense.

A major hurdle for the Malaysia plan was passed last September when over 70 percent of Singapore's voters approved the government's proposal on the merger. The vote was a personal triumph for Prime Minister Lee Kuan Yew. Lee's Peoples Action Party has been hard pressed by the Barisan Socialist Party, an extreme left group which broke with Lee over the merger issue.

Antimerger Sentiment
In Borneo Territories

Latent opposition to the Malaysia plan among the peoples of the Borneo territories has become vocal since the publication last summer of the report of the Cobbold Commission--a British-Malayan group which examined local attitudes toward

merger. The commission claimed to have found that a substantial majority in North Borneo and Sarawak favored federation, but its report makes clear that there is at the same time widespread anxiety to protect the "special interest" of the territories and "special rights" for its natives. A number of Borneans apparently would prefer to receive self-government themselves before entering a federation.

The strongest opposition to joining Malaysia comes from Brunei, culturally the most "Malay" of the Borneo territories. The Sultan of Brunei favors federation, largely because he thinks he sees the possibility of his becoming its "paramount ruler." Brunei's only political party, however, has done some successful campaigning against the merger. The Sultan himself has recently vacillated because he feels an official delegation from Brunei was slighted by the Malay Government in Kuala Lumpur. The possibility that Brunei might hold back from the merger encourages the opposition in other territories.

Both the Sarawak and North Borneo governments have dutifully issued white papers to advertise the potential benefits of Malaysia, and North Borneo's legislative council has unanimously endorsed the idea of joining the federation--with appropriate safeguards. In Sarawak in particular, however, budding leftist political leaders are campaigning against the move. Antimerger representatives from this territory as well as from Brunei and North Borneo will probably appear in January as petitioners before the UN Decolonization Committee of 17 in New York.

Other Problems

Even the proponents of Malaysia are still wrestling with such problems as the duration and nature of the transitional period before complete merger occurs, whether Islam should be the state religion, and the position of English as an official language. The

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

opponents tend to argue more fundamentally that Malaysia is being created too fast and too soon and that the territories involved are ill-prepared to work together.

One of the dangerous trends in the debate is that the opposition campaign is assuming an "anticolonialist" character. Opponents tend to assert that only a demand for unconditional independence for each small potential state is truly "revolutionary" and "progressive," while amicable negotiations for independence and for merger in a larger union are "reactionary" and "neocolonialist."

Indonesia and The Philippines

This line of argument seems to be inspired in part by Indonesia, which fears the creation of a competing power complex in the area. The principal opponents of merger in Brunei, for example, declared early in the debate that any valid concept of Malaysia must allow for inclusion of Indonesia and the Philippines.

In late September Indonesian Foreign Minister Subandrio set up the straw man of a pos-

sible American military base in North Borneo. This he said would lead his government to allow the USSR to set up a base in the Indonesian portion of Borneo. Such statements and less direct hints have provoked a "hands off" warning from Malaya's Prime Minister Rahman. Rahman and Singapore's Lee are the leading spokesmen for the proponents of Malaysia.

The Philippines, too, have added to Malaysia's prenatal problems. Having renewed in June an ancient claim to North Borneo, Manila's representative in the UN demanded on 27 November that Britain discuss the claim. This demand has been made in the face of the fact that the British, prior to June, had not been approached by any Philippine government, although North Borneo has been in British hands for nearly a hundred years.

Rahman has replied that he considers the Philippine claim a product of "pure greed" rather than concern for security. However, he has tentatively agreed to attend a conference of the Association of Southeast Asia (Malaya, the Philippines, and Thailand) in January and to discuss Malaysia with the Manila government at that time.

Present Prospects

The two factors which will remain uppermost during the coming months are the timing and terms of admission of the Borneo territories and the political situation in Singapore. The two are closely related in that the sooner merger can be effected, the less chance there will be for the situation in Singapore to deteriorate and weaken Lee's position. The British appear to be aware of the need for as much haste as possible without sacrificing stability.

25X1

25X1

SECRET

Page Denied