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5 November 1959

CURRENT INTELLIGENCE WEEKLY SUMMARY

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CURRENT INTELLIGENCE WEEKLY SUMMARY

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T H E W E E K I N B R I E F

PART I

OF IMMEDIATE INTEREST

KHRUSHCHEV'S FOREIGN POLICY SPEECH Page 1

In his speech to the closing session of the Supreme Soviet on 31 October, Khrushchev reviewed the principal themes of his "peaceful coexistence" policy. Taking a moderate line, he observed that there had been a "noticeable improvement in the international situation" and reaffirmed his desire for an early summit meeting which, he said, should give top priority to disarmament. The speech provided further evidence that the Soviet premier is encountering difficulty in obtaining unqualified support from some bloc leaders, especially the Chinese, for his present foreign policy course. He sought to overcome reservations and doubts regarding the possible long-term effects of his peaceful coexistence line and issued a warning against "adventurism in politics."

[Redacted]

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MIDDLE EAST HIGHLIGHTS Page 3

The Iraqi Government is expected to begin this month the trial of several Baathists and other pro-UAR nationalists for involvement in the attempt to assassinate Qasim. Israeli Prime Minister Ben-Gurion has publicly warned the UAR that any attempt to stage an uprising in Iraq would compel Israel to reserve "freedom of action." Consideration of possible contingency action in connection with the Iraqi situation presumably also has high priority in current meetings between the Shah of Iran and King Husayn in Jordan. The UAR and the Sudan have reached an accord on sharing the Nile waters which may pave the way for the granting of a World Bank loan to the Sudan for initiation of its Roseires Dam project; construction of the Soviet-engineered Aswan High Dam in Egypt is scheduled to begin next month.

[Redacted]

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SINO-INDIAN BORDER DISPUTE Page 6

Peiping has informed the Indian ambassador that there can be no question of Chinese withdrawal from disputed border posts, thus rejecting Nehru's condition for negotiations. The Chinese leaders probably feel a withdrawal would be interpreted as bowing to Indian pressure and would weaken their negotiating position. New Delhi, estimating that the Chinese will try to expand their occupation of the territory in dispute before agreeing to negotiations, apparently has decided to counter with the swiftest possible expansion of "Indian presence" in frontier areas.

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PART I (continued)



ANTI-US RIOTS IN PANAMA Page 8

Panamanian politicians seeking to exploit public hostility toward US administration of the Canal Zone were responsible for the violent anti-US rioting in Panama on 3 November, the 56th anniversary of Panamanian independence. Further disorders may result from the wounding of several Panamanian citizens by American troops defending Zone entrances. The intensification of political maneuvering in anticipation of next May's presidential election is expected to provoke new expressions of resentment against the United States.



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PART II

NOTES AND COMMENTS

SITUATION IN LAOS Page 1

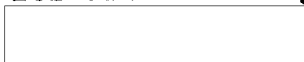
Only minor skirmishes have been reported in Laos recently. The Communists continue their efforts to promote antigovernment sentiment through propaganda and terrorist attacks on government supporters. The trial of Prince Souphannouvong and 13 other pro-Communist leaders has again been postponed. The USSR has brought into the open its opposition, previously expressed only in private, to the establishment of a permanent UN mission in Laos. Secretary General Hammarskjold still believes, however, that he can find a formula for appointing a "personal" representative despite Soviet objections.



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THAI - NORTH VIETNAMESE REPATRIATION AGREEMENT Page 2

Thailand and North Vietnam are preparing to repatriate, starting in January 1960, those Vietnamese refugees in Thailand who wish to go to North Vietnam. Most of the 40,000 to 50,000 Vietnamese in Thailand favor the Hanoi regime, but it is not known how many will agree to be repatriated. The Communists may try to prolong the repatriation process in order to extend the life and expand the role of their repatriation mission in Thailand. Bangkok has looked upon the presence of Vietnamese along its frontier adjoining Laos as a serious security problem.



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PART II (continued)

INDONESIA DISTURBED OVER ITS RELATIONS WITH COMMUNIST CHINA Page 4

The treatment received by Indonesian Foreign Minister Subandrio during his recent visit to Peiping apparently left him angered and frightened by Communist China's aggressiveness and power. Subandrio has told the American ambassador in Djakarta that while there could be no drastic change in Indonesia's policy of nonalignment there would probably be some "adjustments." These might include cautious moves to increase Indonesia's solidarity with its Southeast Asian neighbors as a means of standing up to Communist China.

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PEIPING AGAIN OPTIMISTIC OVER ECONOMIC PROSPECTS Page 5

The Chinese Communist leaders seem to have regained some of the exuberance they lost during the spring and summer months. They now predict that the 1959 economic goals, as revised last August, will be met ahead of schedule. This is possible insofar as industry is concerned, since the August targets were set deliberately low and since there has been improvement in the output of key items in the past two months. The predictions are unrealistic for agriculture, however. The extensive summer drought makes it extremely unlikely that the country can exceed last year's crops, let alone achieve the scheduled 10-percent increase in grain and cotton.

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JAPANESE - NORTH KOREAN REPATRIATION Page 6

Preparations for the repatriation of Korean residents in Japan to North Korea, scheduled to begin in early December, are under way following approval by Chosen Soren, the pro-Communist Korean residents' organization, of modifications in procedures proposed by Tokyo. The lifting of Chosen Soren's boycott does not ensure smooth operation of the program, however, as the departure of a disappointingly small number of repatriates could result in renewed Communist obstruction. Implementation of the program will further strain relations between South Korea and Japan and may influence Rhee to suspend the negotiations for a settlement of outstanding differences--talks which were resumed in Tokyo last August.

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INDIAN COMMUNIST PARTY FACES CRUCIAL POLICY DECISION . . . Page 6

The Indian Communist party, facing its most serious internal crisis in ten years, is scheduled to convene its national council on 10 November for a showdown on policy and leadership. The damage to Communist unity and prestige resulting from Sino-Indian border developments and loss of power in Kerala State has widened the rift between

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PART II (continued)

extremist factions and brought the party to the point of an open break. The present leadership, which has the support of Moscow in its moderate position on internal and external issues, probably will be able to contain the dissidents by making some concessions.

[redacted]

[redacted]

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CEYLON Page 7

Ceylon's Dahanayake government remains in a vulnerable position despite its survival of a no-confidence motion in Parliament on 30 October. Cabinet dissension, the ruling group's dangerously slim parliamentary majority, and charges implicating leading government officials in the assassination of Bandaranaike make for instability. Prime Minister Dahanayake's concern over these factors probably was responsible for the adjournment of Parliament until 24 November, after only three days in session.

[redacted]

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UNREST INCREASING IN BELGIAN CONGO Page 8

Severe rioting in the Belgian Congo interior near Stanleyville, which cost the lives of about 70 Africans during the week end of 31 October, marked the first spread of serious nationalist disorders outside the lower Congo. The clashes between natives and Belgian troops followed in the wake of attacks on Belgian policy by several nationalist groups. In Brussels the government has accepted opposition Socialist proposals for round-table conferences with Congolese leaders in November in an effort to ensure the holding of the communal and territorial elections in the Congo in December.

[redacted]

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FRENCH ALGERIAN PROGRAM Page 10

In view of the broad public support De Gaulle has won for his Algerian program, announced on 16 September, his current "information" campaign appears primarily designed to overcome army dissatisfaction. He has felt it necessary to call for "absolute loyalty and discipline" in carrying out his policies, and the emphasis being placed by top military and civilian officials on France's long-term presence in Algeria seems aimed at army extremists who fear De Gaulle may "abandon" Algeria. This apparent hardening of the French position has distressed moderates who had hoped to see early and fruitful negotiations between Paris and the rebels.

[redacted]

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ITALY MAY GRANT TRADE CONCESSIONS TO USSR Page 11

Pressure by Italian industrialists may lead the Segni government to grant the USSR substantial additional credits following the forthcoming Italian-Soviet trade talks in Rome.

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PART II (continued)

RUMANIA ATTEMPTS TO STEP UP ECONOMIC RELATIONS WITH WEST Page 11

For the past several months Rumania has been striving to expand its economic relations with the West and, with a view to obtaining further Western credits, to build Western confidence in its financial soundness and international responsibility. To this end, the Rumanians have indicated a readiness to discuss settlement of nationalization claims and to explore possibilities for expanded cultural relations. [redacted]

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CZECHOSLOVAKIA'S THIRD FIVE-YEAR PLAN Page 12

Party instructions for the Czechoslovak Third Five-Year Plan (1961-65), which in tone and spirit recall Soviet economic policies of the Stalin era, stipulate a 60-percent rise in output for heavy industry, a 30-percent rise for light industry, and a 21-percent increase in agricultural production. The new program implies added strains on investment resources and only marginal improvements in the consumer's lot. Any serious public discontent as a result of slowness in improving the standard of living would probably be met with economic concessions, however, even if these involved some temporary decline in the rate of industrial growth. [redacted]

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EAST GERMAN CHURCH-STATE STRUGGLE INTENSIFIES Page 14

The Ulbricht regime is preparing to sever the East German Evangelical Church from its leadership in West Berlin, and there is some evidence that it is winning the cooperation of some high-ranking clergy in East Germany. In the event the Communists meet with further success among the clergy, the regime will probably move to set up a separate church and thus split one of the few remaining all-German organizations. [redacted]

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THE SITUATION IN CUBA Page 15

In line with its drastic approach to economic reforms, many of which are badly needed, the Castro government has passed a new mining law severely restricting private mining enterprises and has seized the files of foreign oil companies. Castro's erratic conduct, as well as the revival of the revolutionary tribunals, has led to criticism in other Latin American countries. Havana may be planning to resume diplomatic relations with the USSR and open trade relations with East Germany. [redacted]

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PART II (continued)

BOLIVIA Page 15

The presidential ambitions of two leading personalities in Bolivia's ruling party, the MNR, are causing serious unrest and outbreaks of armed violence. MNR leader and former President Paz, who apparently has President Siles' support, and Walter Guevara, leader of the party's right wing, are mustering armed militia units for a possible showdown. [redacted]

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BRITAIN'S RELATIONS WITH WESTERN EUROPE Page 16

Since re-election the Macmillan government has given priority to improving Britain's relations with the six European Economic Community (EEC) members. By hinting at greater willingness to participate in regional projects, London seeks to avert rapid extension of EEC activities which might further reduce British influence on the continent. Foreign Secretary Lloyd will promote his plans in a visit to Paris on 11 and 12 November, and Chancellor Adenauer and Premier Segni will soon visit London in an endeavor to strengthen ties. [redacted]

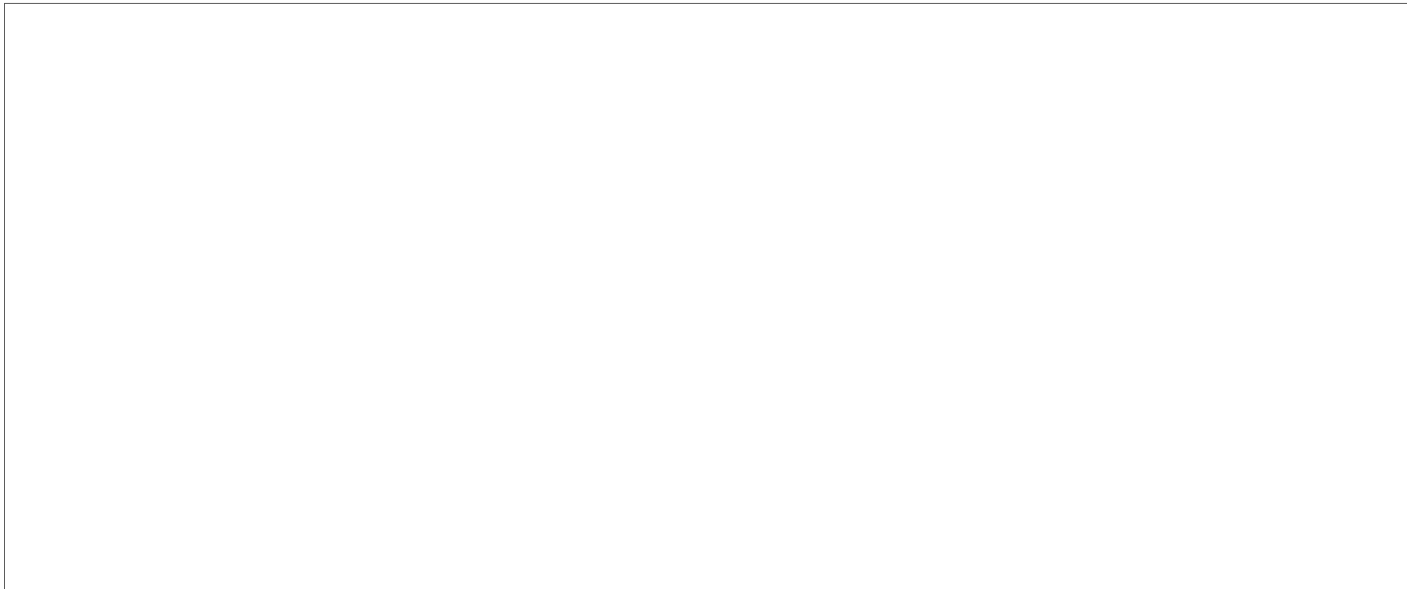
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PART III

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PATTERNS AND PERSPECTIVES



FACTORS IN THE PROBLEM OF NORTH AFRICAN UNITY Page 6

The independence secured in 1956 by Morocco and Tunisia and the struggle for independence under way in Algeria have led area leaders to serious consideration of the relations of North African political entities with

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PART III (continued)

each other and with outside blocs. Some North African leaders have been seeking to bring about a united "Maghreb federation" in northwest Africa. Some go further and envisage an alliance of North African states with France or association with a European community. Intra-Maghreb frictions seem to rule out a closely knit federation, but some form of loose union which would extend North Africa's traditional ties with Western Europe might be possible and would provide the diversification of contacts North Africans seek. [redacted]

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FRENCH COMMUNITY IN EVOLUTION Page 11

President de Gaulle is guiding the development of the French Community toward a more flexible structure providing for varying degrees of autonomy in an effort to make the Community acceptable to African nationalism and possibly to attract new members. Negotiations for a looser relationship between Paris and the Federation of Mali--comprising the republics of Soudan and Senegal--are likely to begin after the next meeting of the Community Executive Council, scheduled for December. French officials may also see the concept of an evolutionary Community as providing the legal framework for a solution of the Algerian problem. In view of increasing nationalist aspirations throughout France's present and former possessions, however, it appears doubtful that any French-proposed association, however liberal, can be attractive for long. [redacted]

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SOVIET REACTION TO THE AMERICAN EXHIBITION IN MOSCOW . . . Page 14

Despite strenuous efforts by the Soviet regime to undermine the impact of the American exhibition in Moscow, the fair was the object of intense popular curiosity. Well over 2,000,000 Soviet citizens attended, which was somewhat more than the number specified in the US-Soviet exhibition agreement. Their reaction appears to have been one of general approval, although there was some adverse comment on certain of the exhibits and on the organization of the fair. The impact of the fair has apparently been felt in the highest party circles and may have contributed to the recent government announcement of a slight increase in consumer goods production. [redacted]

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PART IV

OTHER INTELLIGENCE ISSUANCES

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PART I

OF IMMEDIATE INTEREST

KHRUSHCHEV'S FOREIGN POLICY SPEECH

Khrushchev's speech to the closing session of the Supreme Soviet on 31 October was the most comprehensive exposition to date of his policy of "peaceful coexistence." Indicating satisfaction with the "noticeable improvement in the international situation," he said the prospects for strengthening peace "have become more favorable."

In his notably moderate and restrained speech, the Soviet premier claimed a major shift had occurred in Western policy and attitudes toward the USSR. He attributed this to a "more sober evaluation" and "sensible understanding" in the West of the "position of forces in the international area." "Even some of the active conductors of the 'positions of strength' policy see its futility," he said, and predicted that this more "sensible understanding" will lead to the abandonment of "calculations of using military forces against the socialist world."

Khrushchev's discussion contained no indication of any important changes in the Soviet position. He repeated his favorable assessment of his US visit and talks with President Eisenhower and attempted to convey the impression that he had reached "mutual understanding" with both the President and Prime Minister Macmillan on a summit meeting.

While he avoided direct criticism of De Gaulle's position on the timing of a meeting, he rejected the view of "some statesmen in the West" that the heads of government should meet only after agreement has been reached on major questions. He reaffirmed his preference for an early summit meeting and proposed an agenda which gave top priority to disarmament, followed by a German peace treaty, Berlin, and "other international questions of general interest."

Khrushchev expressed appreciation of the statements by De Gaulle and Premier Debré on the "inviolability" of the Oder-Neisse frontier. He gave a cautious endorsement to De Gaulle's recent statement on Algeria, probably to appear responsive to the French cabinet's communiqué of 21 October which stressed the importance an improvement in the "world climate" would play in justifying French participation in a summit conference. At the same time, however, Khrushchev repeated the standard expression of Soviet sympathy for peoples who are "struggling for independence and national liberty."

In Moscow's first authoritative response to recent statements by American officials holding the USSR at least partially responsible for Peiping's actions, Khrushchev denounced these as a "psychological

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attack against the Soviet Union" and accused the US of trying to distort the character of Sino-Soviet relations and cast doubt on Peiping's sovereignty.

He repeated Moscow's view that the Taiwan question is a "purely internal affair of China" and expressed confidence that "Taiwan and the other islands will be reunited with the rest of China." Although he made no mention of the use of force, Khrushchev renewed Soviet pledges to support Peiping "until it has achieved settlement of this question because the legal and moral right is on its side."

Khrushchev carefully adhered to his neutral position on the Sino-Indian border dispute, expressing hope for a peaceful settlement satisfactory to both sides.

The speech provided further evidence that Khrushchev is encountering difficulties in obtaining unqualified support from some bloc leaders, especially the Chinese, for his present foreign policy course. Apparently in an effort to meet reservations and doubts about the long-range effects of his peaceful coexistence policy, Khrushchev gave a lengthy exposition of the nature and limits of this concept and stoutly defended the need for "flexibility" in foreign policy without abandoning "principles." He cited Lenin's teaching that the "working class, before as well as after it has gained power, must be able to pursue a flexible policy, compromise, and come to agreement whenever life and the interests of the cause demand it."

He contended that "mutual concessions" are necessary in the present state of East-West relations, but added that "one must not confuse mutual concessions in the interest of peaceful coexistence" with ideological concessions. Presumably in response to unnamed critics, Khrushchev emphasized "there cannot be any question of concessions or adaptation" in matters of ideology.

The gravity of the problem which apparently has been created by Peiping's coolness toward Khrushchev's present policy was underscored by his resort to the extraordinary device of resurrecting the episode of Trotsky's opposition to Lenin's decision to make peace with Germany in 1918 "to ensure for the young Soviet state the possibility of peaceful construction of socialism." Except for passing references in Khrushchev's secret speech at the 20th party congress, this is the first mention of Trotsky by a top Soviet leader in many years.

Khrushchev's denunciation of Trotsky's "adventurist policy" of "neither peace nor war" almost certainly was aimed directly at the Chinese Communist leaders. He remarked pointedly that Trotsky's position had "played into the hands of the German imperialists," recalled the difficulties his policy had created for the "young socialist state," and concluded with the observation that "such were the fruits of adventurism in politics." (b)(3)
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MIDDLE EAST HIGHLIGHTS

Iraq

Although the situation in Iraq remains calm outwardly, an underlying feeling of tension permeates the country. Nationalists and Communists are apparently awaiting the opening of the trials of those charged with the assassination attempt on Premier Qasim--and the premier's release from the hospital--before making new moves. Security authorities remain apprehensive about demonstrations tentatively scheduled for the day of Qasim's release. These are likely to lead to clashes between nationalists and Communists. The military governor, General Abdi, is said to be contemplating the cancellation of parades on that day.

Qasim appears to be slowly recovering from his wounds. He carries on state business from his hospital room and receives visitors every day--including the Soviet and Turkish ambassadors on 1 November. His full recovery may take several more weeks, and he has stated that he does not wish to leave the hospital until he is a "whole man" unencumbered by the cast on his left arm.

The expulsion of the second secretary of the UAR Embassy in Baghdad on 1 November for subversive activities was a further blow to pro-UAR nationalists in Iraq. Mahdawi is likely to use this incident to build his charges of UAR implication in the Qasim assassination attempt.

Along the Shatt al Arab river, the tension which existed last week over Iran's challenging of the rules of Iraqi port authorities has eased to some degree. Several ships have made the trip to and from the Iranian port of Khosroabad without incident, despite the warning by Iraqi port authorities that they would take action against ships using the port because they consider use of the port a menace to navigation. The next sailing from Khosroabad is scheduled for 8 November.

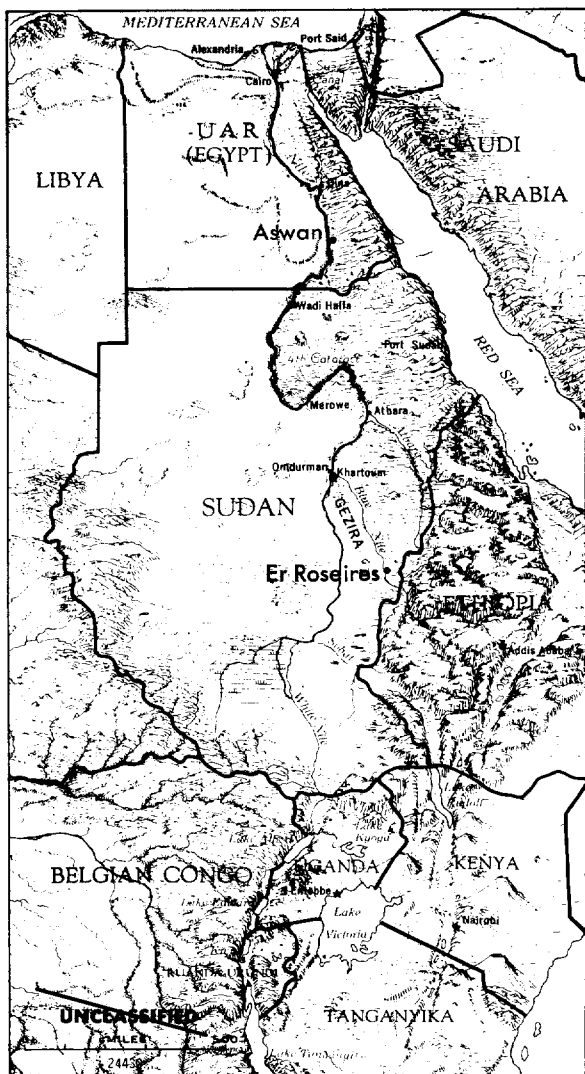
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The Shah has stated he will not insist at this time that ships destined for Iranian ports use Iranian pilots and fly the Iranian flag. Iran, however, intends to continue to provide naval escorts for ships using Khosroabad to ensure against interference by the Iraqis. The Shah has indicated that he is ready at any time to begin negotiations with Iraq over questions of sovereignty and navigation on the Shatt al Arab.



The Shah's visit to Jordan from 2 to 6 November probably is causing additional concern in Iraq. The Shah, however, while discussing contingency plans regarding Iraq with Jordanian King Husayn, is probably cautioning him against intervention at this time in Iraqi affairs.

The clandestine Soviet radio "The National Voice of Iran," located in the Caucasus, has warned meanwhile that the Shah's trip--which will be followed by visits to Tehran by Pakistani President Ayub and Turkish Premier Menderes--indicates that a plot "primarily directed against Iraq" is being hatched. The broadcast advised Iranian Army officers to show that they will not be used in the "execution of the Shah's fabrications."

Sudan-UAR

The main issues in the long-standing Nile waters dispute between the Sudan and the UAR have been resolved, according to unofficial announcements, and the negotiators now are drafting a formal agreement. President Nasir personally set the tone for the talks, which have been under way in Cairo more than three weeks, and the UAR made concessions to meet most of the Sudanese demands. Egypt is to receive about 75 percent of the usable Nile flow, and the Sudan about 25 percent.

A difficult issue was the amount of compensation the UAR is to pay for Sudanese lands which will be flooded by the

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Aswan High Dam. There may be further wrangling on this point, but signature of a comprehensive agreement is expected within the next few days. This will pave the way for the grant of a \$50,000,000-\$60,000,000 World Bank loan to the Sudan for its Roseires Dam project. Construction of the first stage of the Soviet-engineered Aswan High Dam in Egypt is scheduled to begin next month.

The UAR-Sudanese agreement may cause friction with Ethiopia and with the United Kingdom, speaking for Kenya, Uganda, and Tanganyika. These riparian states insisted on a voice in any final allocation of the Nile waters.

The unstable and unpopular Abboud military government is gaining new public support in the Sudan by emphasizing the favorable terms of the accord, even though many Sudanese remain suspicious that somehow the UAR will get the best of the deal. The government urgently needs such support to contend with coup plotting by disgruntled junior army officers and with pressures by political and religious leaders for an early return to civilian government.

Israel

The Israeli elections on 3 November increased the parliamentary strength of David Ben-Gurion's Mapai party, but the increase was not sufficient for a majority of the 120 seats in the Knesset. Another coalition accordingly will be

required to form a government, and Ben-Gurion, who has long chafed under coalition restrictions, is expected to lead it again as prime minister.

Mapai apparently will have 47 seats compared with 40 in the previous Knesset. Its most serious challenger, the ultra-nationalist Herut party, also obtained an increased percentage of the total vote which, in Israel's involved system of proportional representation, will go from 15 to 17 seats. The conservative General Zionists, the left-wing socialist Achdut Haavoda party, and the Communists all received smaller percentages of the vote.

The votes obtained by the other established parties were about equal to their previous percentages. A plethora of new parties, five of which hoped to exploit the grievances of "oriental" Jews, failed to attract any significant voting support.

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The Israelis apparently believe that UAR intervention in Iraq would result in widespread chaos in the area, which could lead to Nasir's domination of Jordan..

The latter possibility has consistently evoked concern in Israel. In a pre-election

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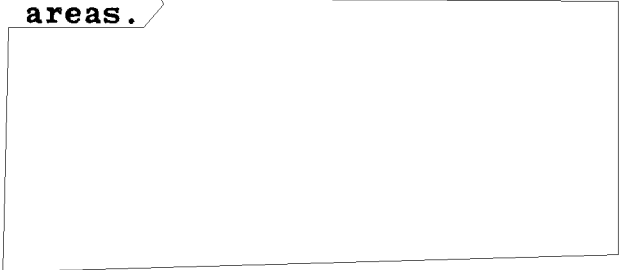
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interview, Ben-Gurion warned that any UAR attempt to stage a coup in Iraq would compel Israel to "reserve freedom of action."

The apprehension in Israel and the UAR led on 4 November to an air clash along the Israeli-Egyptian border. Tel Aviv radio claims four Egyptian MIG-17s entered Israeli air space but were driven off after a short fight. Cairo radio asserts that six Israeli Mysteres violated Egyptian territory

and that in the ensuing battle one Israeli plane was hit.

One or both of the formations probably engaged in a reconnaissance of the border areas.



THE SINO-INDIAN BORDER DISPUTE

The Chinese Communists have recently indicated that the major stumbling block to the start of negotiations with New Delhi on the border dispute is Nehru's insistence that Chinese troops must first be withdrawn from border outposts in Indian-claimed territory. Peiping's Foreign Ministry officials told the Indian ambassador in late October that these troops are occupying China's own territory and there could be no question of withdrawing before negotiations.

quest for withdrawals would be interpreted as bowing to Indian pressure. Peiping seems particularly concerned that withdrawal of its forces from the Ladakh area would prejudice its claims to this area in future negotiations with New Delhi.

Despite their firmness on the issue of troop withdrawals, the Chinese apparently do not wish to appear obstructionist in the matter of negotiations.

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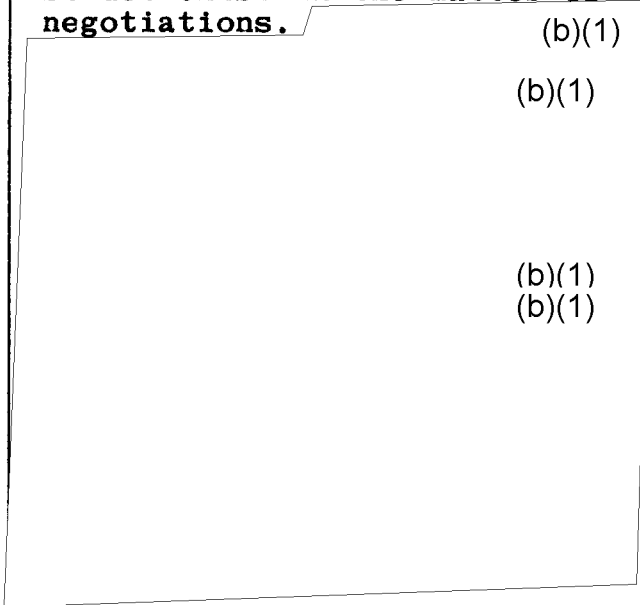
Mao Tse-tung and Liu Shao-chi had stressed the Chinese view that there should be "no prior conditions" for negotiations.

that "we want" the border problem to be solved and "we are ready to solve it at any moment as soon as possible."

The Chinese leaders will probably stand firm on this position. They apparently believe that acceptance of Nehru's re-

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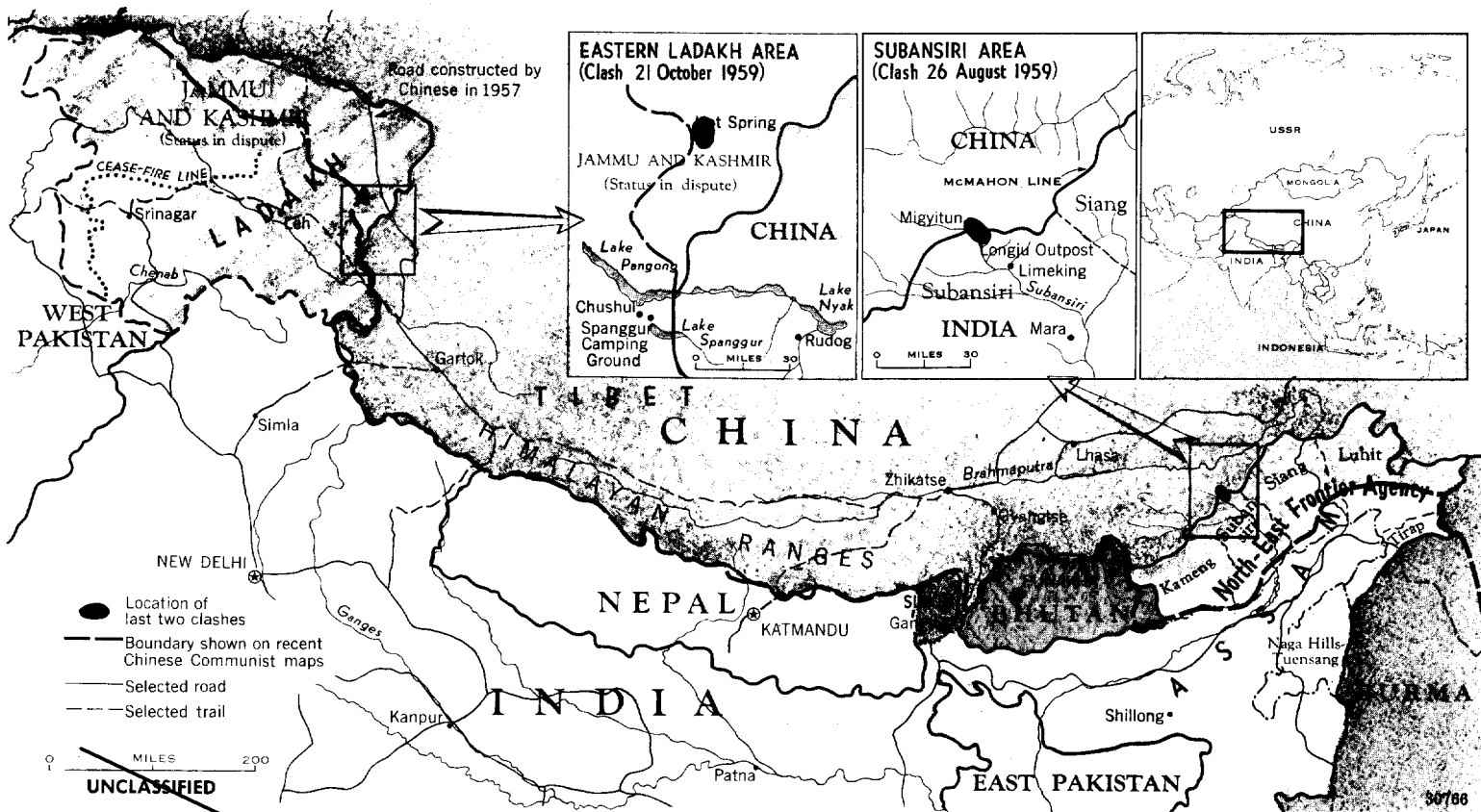


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New Delhi's increasingly firm attitude was indicated by its strongly worded reply on 4 November to Peiping's statement of 26 October. The note denied China's claims to Indian territory and demanded the Chinese quit Indian soil, "vacating their aggression" both in Ladakh and at the Longju outpost in Assam.



In a press conference on 5 November, Nehru emphasized his desire for a peaceful solution of the border dispute but did not rule out use of force to recover Indian territory under Chinese occupation.

New Delhi now estimates,



that although Peiping does not intend to commit itself to large-scale military action against Indian territory it hopes to secure control of as much of the disputed Tibetan border areas as it can. Believing that the Chinese will try to expand their occupation of the territory in dispute before agreeing to negotiate, New Delhi apparently has decided on a policy of countering Peiping's moves with the swiftest possible expansion of "Indian presence" in frontier areas.



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ANTI-US RIOTS IN PANAMA

The violent demonstrations of 3 November against the Canal Zone and other US installations in Panama were touched off by nationalistic politicians seeking to exploit Panamanian resentment of US policies in the Zone. The wounding of several demonstrators by US forces defending entrances to the Zone may provide extremists with a popular cause that could result in fresh disorders. The Panamanian National Guard did little to prevent or control rioting and incursions into the Zone.

Former Foreign Minister Aquilino Boyd, a presidential hopeful and an opposition dep-

uty in the legislature, issued a call in July for the "peaceful occupation" of the Canal Zone by Panamanians bearing flags on 3 November, the 56th anniversary of Panamanian independence. He was supported by rabidly anti-US university professor Ernesto Castellero, who urged massive participation in a Gandhi-type civil resistance march into the Zone.

Boyd and Castellero remained adamant in spite of pressure from government officials urging that the scheme be abandoned or its scope reduced to that of a symbolic gesture. Student groups reportedly failed to endorse the demonstration

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proposal because it was viewed as a political maneuver designed to win support for Boyd in his presidential campaign.

Panamanians have continually demanded their country receive a greater share of canal revenues and be recognized as retaining sovereignty over the territory of the Canal Zone. They also charge that the US has failed to live up to its commitments under the 1955 treaty governing the administration of the Zone. Specific Panamanian complaints are that Panamanian workers in the Zone receive lower wages than Americans performing identical tasks there and that US agencies in the Zone purchase products from foreign countries which, under terms of the treaty, should be purchased from Panama.

Foreign Minister Miguel Moreno won enthusiastic Panamanian approval when he un-

expectedly voiced these complaints at the August foreign ministers' meeting in Santiago and again at the opening session of the UN General Assembly in September. He repeated his accusations in a speech last week in Bogota.

Elements of the corrupt ruling oligarchy find it convenient to use anti-US sentiments to distract popular attention from deep-seated economic and social discontent among Panama's lower income groups. An intensification of pre-election political activity prior to the national presidential election in May 1960 is expected to result in a more emphatic campaign for added canal benefits. Further, political exploitation of emotionally charged canal issues may lead to additional disorders similar to those of 3 November. (b)(3)

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PART II

NOTES AND COMMENTS

SITUATION IN LAOS

Only minor skirmishing has been reported in Laos in the last few days, but the Communist dissidents continue their efforts to promote antigovernment sentiment through a combination of propaganda and terrorist attacks on supporters of the Phoui regime. Laotian Army elements advancing in the Ma River area of northeastern Sam Neua Province are encountering little resistance, but this lack of opposition probably reflects a deliberate attempt by the dissidents to save their strength and is not due to any diminution of their capabilities in this area.

of the Committee for the Defense of National Interests (CDNI), which is in an uneasy coalition with Phoui's Rally of the Lao People (RLP).

The government has again postponed the trial of Prince Souphannouvong and 13 other pro-Communist leaders of the Neo Lao Hak Zat (NLHZ), this time until after 13 November; inadequacy of security arrangements was the reason given.

Hanoi, and to a lesser degree Peiping and Moscow, continue to protest against a trial. On 31 October and 2 November^{(b)(1)} respectively, the foreign ministers of North Vietnam and Communist China addressed formal protests to the British foreign secretary and to the Soviet foreign minister as cochairmen of the Geneva Conference, calling for "urgent measures" to prevent the trial on the ground that it would violate the Geneva agreements of 1954 and the Vientiane agreements of 1957 and block a peaceful solution. The Chinese letter reiterated Peiping's view that the dispute should be settled through broad negotiations.

The death of King Sisavong Vong caused Phoui and his party to cut short their visit to Washington and New York and prevented the premier from keeping a previously arranged appointment with UN Secretary General Hammarskjold. Prince Regent Savang, who was proclaimed the new King on 1 November, is likely to play a more active role in government affairs than his father. Savang is strongly anti-Communist and a supporter

On 30 October the USSR publicized its opposition to any action in the UN which would set up a permanent mission in Laos. A Soviet UN delegation press release stated that there can be "no question of the Soviet Union supporting or even tacitly agreeing to use the name of the United

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Nations to cover up such unlawful actions." The Soviet Un-

ion's opposition had previously been expressed in strong

terms through private diplomatic discussions. Its present action, forcing delicate negotiations into the open, is probably intended to disabuse those who believe that the USSR will consent to make easy a smooth transition from the subcommittee to another, more permanent, UN presence.



Hammarskjold still believes, however, that he can find a basis for his actions which will enable him to appoint a "personal" representative despite Soviet objections. He now plans to leave for Vientiane on about 10 November. Meanwhile, the subcommittee has completed the report of its mission to Laos, but the date of formal presentation to the Security Council is still uncertain and may be deferred. (b)(3)

THAI - NORTH VIETNAMESE REPATRIATION AGREEMENT

Bangkok and Hanoi have announced preparations to implement the agreement reached last August providing for repatriation of those Vietnamese refugees in Thailand who wish to go to North Vietnam. Thai Government and Red Cross officials

have set up provincial committees to process repatriates, and registration will take place between 2 and 20 November. Included in the first contingent will be some 280 Vietnamese who have been detained by the Thai Government as suspected

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pro-Communists, but who had been released recently so that they might dispose of their property. The first refugees are to be returned by ship in January 1960.

Most of these refugees fled to Thailand when the French resumed control of Indochina after World War II, and an estimated 90 percent of them favor North Vietnam. The Thai Government has long sought to effect at least a partial solution to the serious internal security problem posed by their presence along the strategic northeast frontier adjoining Laos. Recent reports indicate that several hundred may have crossed the border to join rebel forces in southern Laos.

North Vietnam has established an Overseas Vietnamese service to study repatriation policies, and the minister of interior recently led a two-day conference to discuss resettlement measures. These measures are intended to provide for repatriates from New Caledonia and French Guiana, as well as those from Thailand. There are about 5,000 Vietnamese contract laborers in New Caledonia and 300 Vietnamese in French Guiana who were formerly political prisoners.

The two North Vietnamese Red Cross representatives who will serve as "advisers" to the Thai Red Cross in connection with the repatriation sought but were refused permission to set up their mission in Bangkok in October, instead of early November as scheduled. They left Hanoi on 24 October, however, and proceeded to Rangoon, where they remained until admitted to Thailand on 2 November. Hanoi will probably attempt to magnify the importance of the mission, in line with North Vietnam's policy of promoting official

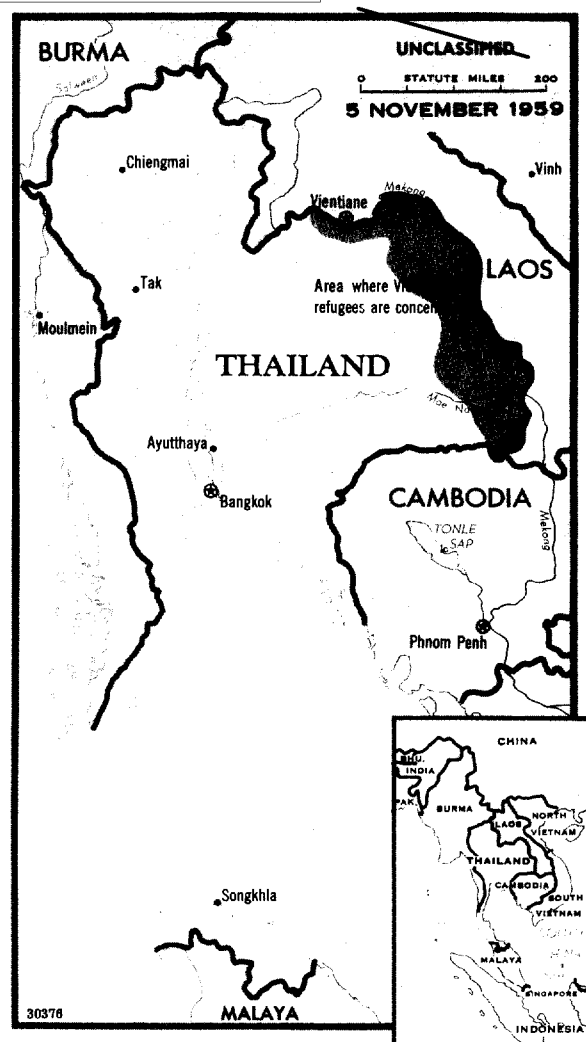
and semiofficial contacts with nonbloc nations.

Although Hanoi is actively publicizing preparations to receive repatriates, it is uncertain how many of the 40,000 to 50,000 Vietnamese in Thailand will actually agree to move.

(b)(1) the refugees have not disposed of property in anticipation of repatriation.

(b)(1) has instructed the refugees to delay repatriation. North Vietnam may wish to draw out the repatriation process in order to extend the life and possibly expand the role of its mission in Bangkok. Such action would also prolong the presence of a potential fifth column in Thailand.

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INDONESIA DISTURBED OVER ITS RELATIONS WITH COMMUNIST CHINA

The experience of Indonesian Foreign Minister Subandrio during his recent four-day visit to Peiping apparently left him angered and terrified by the revelation of Communist China's aggressiveness and power. In a conversation with the American ambassador in Djakarta, Subandrio stated that his eyes had been opened to China's expansionist aims and that, while there could be no drastic change in Indonesia's independent foreign policy, "adjustments in degree and attitude" would certainly take place.

Subandrio's visit was prompted by strong Chinese Communist protests over an Indo-



SUBANDRIO

nesian Government decree requiring the withdrawal of alien retail merchants from rural areas by the beginning of 1960. Most of these merchants are Overseas Chinese. He reported that Chinese officials in discussions with the Indonesians were arrogant, patronizing, and abusive. They charged that harassment of the Overseas Chinese was American inspired, and, in an effort to force repeal or

substantial modification of the ban, threatened economic retaliation and other unspecified measures.

(b)(1)

Subandrio, who has long been a supporter of Indonesia's policy of nonalignment, told Ambassador Jones he would like to review Indonesia's policy, but that there could be no drastic change because Communist China is a close and powerful neighbor. He further implied that Indonesia could not afford to alienate Sino-Soviet bloc support for its claim to West Irian (Netherlands New Guinea). He asserted, however, that the Indonesian Government would not back down in implementing the ban on alien retailers and that his position had the full support of President Sukarno. He pleaded for continued American support in the face of expected further Chinese pressures.

In public statements since his visit, Subandrio has maintained a cautious appearance of friendly relations with Communist China. During a Manila stopover after his Peiping trip,

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publicly stressed Indonesia's desire for closer ties with its Southeast Asian neighbors. Subandrio insisted to Ambassador Jones, however, that his remarks in the Philippines were intended to stress the need for solidarity in standing up to Communist China, and he may hope to move cautiously in this direction within the framework of Indonesia's "nonalignment" policy.

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PEIPING AGAIN OPTIMISTIC OVER ECONOMIC PROSPECTS

In the past few months the Chinese Communist leaders seem to have recovered some of the exuberance which had earlier characterized their approach to the "great leap forward." Party and government spokesmen are painting a picture of China's economic prospects for this year and next, which is brighter than that presented to the public last August, when sharp cuts had to be made in the targets for 1959.

These spokesmen say that the party-initiated work drive led to a marked upswing in production during September and October, at least in industrial production and construction activity. Steel production, for example, is said to have jumped 20 percent in September and another 14 percent in October.

Heartened by figures such as these, the leaders now confidently predict that most industries will fulfill their revised 1959 goals some 10-15 days ahead of schedule, thus opening the way for a further "leap forward" during 1960.

While fluctuations in the tone of public discussion of economic matters in Communist China have typically been greater than the fluctuations in actual performance, an improvement does indeed appear to have taken place. This has been due only partly to the party's drive to revitalize the "leap." Seasonal and long-term factors--including the normal increase in production which takes place in the second half of the year and the coming into production of new plant capacity--also contributed to the stepped up pace. The suspicion is strong, however, that the Chinese leaders chose to ignore these factors so as to make the response to their call for harder work appear more impressive.

Peiping has in fact been using the recent upswing as evidence of the indispensability of the mass campaign to bring about such upsurges in production. It has engaged in a truculent defense of this mechanism for extracting more work from the Chinese people in the face of attacks by critics who have labeled certain past campaigns "horrible disasters." The party is readying a massive rural work campaign for the coming winter which may approach in intensity the massive drive in the winter of 1957-58 which kicked off the "leap forward."

The improvement in outlook thus far is largely confined to industry and does not extend to agriculture, although the regime's farm procurement programs show some improvement over last year. There is good reason to regard with considerable reserve the regime's professed belief that a 10-percent increase will be achieved in this year's output of grain and cotton. This claim is being advanced in the teeth of what one agricultural leader in Peiping has described as the worst natural calamities since the regime came to power ten years ago.

Information from independent sources on weather in China confirms there was a serious drought in key farm areas and suggests it covered a sufficiently large area and lasted long enough to make it doubtful that China can equal last year's actual production. In any case, the revised goals of 275,000,000 tons of grain and 2,300,000 tons of cotton remain well out of Peiping's reach, although the leaders will probably end by claiming that the goals were met.

[redacted] (Prepared (b)(3)
by ORR)

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JAPANESE - NORTH KOREAN REPATRIATION

Preparations for the repatriation to North Korea of Korean residents in Japan scheduled to begin early in December are under way following approval by Chosen Soren, the pro-Communist Korean residents' organization, of modifications in procedures proposed by Tokyo. The lifting of Chosen Soren's boycott does not ensure smooth operation of the program, however, as the departure of a disappointingly small number of repatriates could result in renewed Communist obstruction. Implementation of the program will further strain relations between South Korea and Japan.

The revised procedures will permit limited, controlled contacts between the repatriates and their relatives at railroad stations and at Niigata, the port of embarkation. Final interviews at Niigata to establish the voluntary intentions of the repatriates will be conducted with families, rather than with individuals, in the presence of the International Committee of the Red Cross (ICRC) representative.

Although these procedures would seem to give Chosen Soren additional opportunities to exert pressure on unwilling or wavering individuals, Tokyo claims they do not substantively

affect the repatriates' "freedom of choice." The ICRC probably will cooperate in the program, unless Chosen Soren creates an incident which flagrantly violates the principles the international body has established for guaranteeing the Koreans voluntary choice of residence.

The registration of prospective repatriates between 4 and 6 November should indicate roughly how many of the approximately 700,000 Korean residents in Japan desire to go to North Korea.

[redacted] Chos(b)(1)oren will select the repatriates and screen them for political reliability, presumably to satisfy North Korean requirements. While Pyongyang apparently wants repatriation to proceed, it is likely to continue harassment of the Japanese by charging infractions of the agreement.

Although announcement of the agreement with Chosen Soren prompted South Korean threats to break off talks now under way in Tokyo for a settlement of outstanding problems, this has not yet occurred and some responsible officials hope the discussions will continue. The negotiations have made little substantive progress to date, largely because Seoul has not developed any positive policies.

[redacted] (b)(3)

INDIAN COMMUNIST PARTY FACES CRUCIAL POLICY DECISION

The Indian Communist party, facing its most serious internal crisis in ten years, is scheduled to convene its national council on 10 November for a showdown on policy and leadership. The damage to Communist unity and prestige in India resulting from recent Sino-Indian

border developments--coming on top of the Communist setback in Kerala State--has widened the rift between extremist leaders on the right and left and brought the party factions to the point of an open break.

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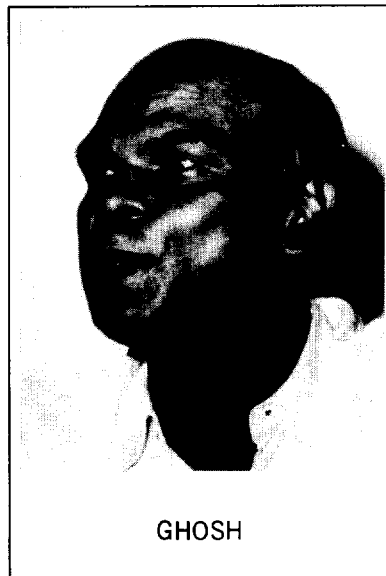
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Chinese Communist action along the Tibetan frontier has highlighted divisions in the Indian party along "nationalist" and "internationalist" lines, while the failure of the "Kerala experiment" emphasized the conflict between proponents of a "peaceful, parliamentary" approach to power and those advocating more aggressive tactics. Party Secretary Ajoy Ghosh, caught in the middle, leads a faction favoring a policy which in effect compromises differences between the extreme positions on both internal and external questions.

The increasing isolation of the Communist party in India, due to its inability to take an unequivocal stand for or against Peiping's actions, has caused a greater upheaval in Communist ranks than any previous issue. Alarmed over the prospect of losing much popular support, certain "nationalist" Communists, notably parliamentary party leader S. A. Dange, were impelled to side with the general Indian reaction against China and publicly air their disagreement with the official party position.

The moderate leadership probably will manage to contain the extremists by making some concessions to their demands. The recent renewal of Sino-Indian border clashes in Ladakh has left the moderates with no



GHOSH

alternative but to take a more critical stand against Peiping, thus narrowing the gap between them and the "nationalists." On internal policy, the moderate leadership probably will appease the proponents of aggressive tactics by allowing them to organize a more extensive underground apparatus in case of future need, while outwardly the party maintains the parliamentary approach.

The present leadership will be aided in its efforts to keep the party on a moderate course by the numerous expressions of support Ghosh has recently received from top Soviet party leaders. Moscow apparently feels that Communist interests in India--at least while Nehru is in power--will be best served by avoiding either the "nationalist" or "internationalist" extremes.

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CEYLON

The Ceylonese Government is in a vulnerable position despite the defeat on 30 October of a no-confidence motion by 48 to 43 votes. Serious cabinet dissension, the ruling party's dangerously slim parliamentary

majority, and rumors implicating leading government officials in the assassination of Prime Minister Bandaranaike cast doubt on Dahanayake's ability to maintain the government in power through the remaining 18 months of its term.

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During the vote the government rallied its maximum strength, which had been reduced shortly beforehand by the dismissal of a cabinet minister indirectly implicated in the assassination and by the resignation of a government worker. Two opposition members were absent, and two abstained. The ruling group's success thus depended on the continued reluctance of a few opposition elements to force early elections and--for the first time since the present government was elected under Bandaranaike in April 1956--on the votes of six nonelected appointees.

Public awareness of charges implicating top government officials in Bandaranaike's assassination probably has increased considerably since the relaxation of press censorship on 20 October. The press has heaped ridicule and criticism on Dahanayake and the cabinet, and has supported opposition demands that Finance Minister De Zoysa resign because of his association with one of several

suspects and the rumored involvement of his two brothers. One government member during the no-confidence debate advocated De Zoysa's expulsion. At least six cabinet members also favor such a move, and it seems unlikely that the government can avoid dismissing or at least suspending him pending the outcome of the investigations.

Dahanayake's concern over his government's position probably was responsible for the adjournment of Parliament until 24 November, after only a three-day session. In the interim, Dahanayake presumably will try to consolidate his position as leader of the ruling party, to mend or at least suppress the government's rifts, and possibly to increase his parliamentary majority by bargaining with moderate opposition elements. To accomplish this he would have to prove as able a tactician as Bandaranaike and possibly to improve on Bandaranaike's efforts to cope with the island's long-standing economic and communal problems.

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UNREST INCREASING IN BELGIAN CONGO

Severe rioting in the interior of the Belgian Congo near Stanleyville, which cost the lives of about 70 Africans during the week end of 31 October, marked the first spread of serious nationalist disorders outside the lower Congo. The clashes between natives and Belgian troops, in the wake of attacks on Belgian policy by several nationalist groups, suggest that nation-

alist extremism may have reached proportions which will jeopardize territorial and communal elections scheduled for December.

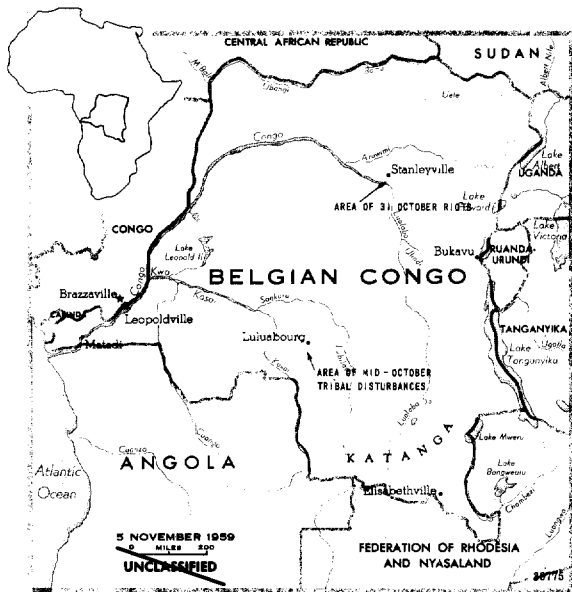
The Stanleyville disturbances were triggered by a meeting of the Congo National Movement (MNC) independence group, at which Patrice Lumumba, leader of one of its factions, called for a campaign of civil

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disobedience and attacked Brussels' program for Congolese independence in about four years. In rejecting the Belgian plan, the MNC followed the example of the Abako, the leading nationalist organization in the politically volatile lower Congo. The American Embassy in Brussels reports that the Abako's rejection of Congo Minister de Schrijver's four-year program was received with "genuine surprise" by Belgian officials.

In the absence of responsible nationalist leadership in the Congo, Brussels has sought to develop political stability through the support of certain tribal leaders. Prospects for such stability, however, have diminished lately as a result of a sharpening of tribal rivalries in several areas. In Elisabethville, concern over a possible nationalist boycott of European goods has been heightened by instances of increased friction among local African groups, and the American consul believes tension in the area to be higher than at any time since the Leopoldville riots of last January.

Prior to the Stanleyville disturbances, Lumumba reportedly demanded immediate Congolese independence, or his group would "face Belgium with a fait accompli." On 3 November, Brussels announced that a round-table conference would be held with Congo leaders in late November, presumably to clarify Brussels' program for gradual independence. Such a conference may serve to mollify some Congo leaders, several of whom have complained that the De Schrijver program was adopted without consultation with the Congolese.

The seriousness of the current situation has apparently caused the Belgian Government and the opposition Socialists to close ranks in an attempt to re-establish a common front on Congo policy. The scheduled round-table conference is in accordance with Socialist demands that Belgian officials negotiate directly with the Congolese leaders in an effort to assure that the December elections will be held.

The government and the Socialists also agree on the necessity of extensive Belgian economic aid to the Congo, and plans call for the creation of a "development company" and for Belgian support of the Congolese franc. The Socialists, however, differ with the government on how to finance the additional costs involved, believing that the large Congo companies should be made to assume a greater responsibility. It is not yet clear whether the Liberals in the government, who are always difficult on financial questions, are in complete agreement with their cabinet colleagues on these latest proposals.

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FRENCH ALGERIAN PROGRAM

In view of the broad public support De Gaulle has won for his Algerian program announced on 16 September, his current "information" campaign appears primarily designed to overcome army dissatisfaction. He has felt obliged to call for "absolute loyalty and discipline" in carrying out his policies, and the emphasis being placed by top military and civilian officials on France's long-term presence in Algeria seems aimed at army extremists who fear De Gaulle may "abandon" Algeria. This apparent hardening of the French position has distressed moderates who had hoped to see early and fruitful negotiations between Paris and the rebels.

Delegate General in Algeria Delouvrier's public explanation of the terms of the proposed two-stage referendum on Algeria's future has disturbed many Frenchmen and such interested foreigners as Tunisian President Bourguiba, who had been hopeful of an early liberal solution. With army dissatisfaction increasingly apparent, Delouvrier's assurance that an initial vote will be--as in 1958--on whether any tie should be maintained with France seems aimed at appeasing De Gaulle's rightist critics rather than merely elaborating on the details of a referendum which will probably not take place for several years. The second stage would permit a choice between autonomy and integration with France.

(b)(3)

Military uneasiness appears focused on whether the army will continue to play a major role in the administration of Algeria, whether the rebels will be granted a cease-fire on terms short of surrender, and whether the army will "lose face" with the Moslems because of the government's "soft" program.

On 28 October, (b)(3) De Gaulle declared that France's policy is to pacify Algeria "completely and humanely," to assure its development, and to give the Algerians every reason to desire unity with France.

Official concern over the army attitude is apparent in the manner in which Marshal Juin, France's highest military officer, was censured by the minister of the army for publicly charging on 26 October that De Gaulle's Algerian policy would encourage the rebels. He was told that "it is the desire of the government that military chiefs remain entirely aside from political discussion."

The French Communist party now has come out in favor of De Gaulle's Algerian program. This about-face probably reflects Moscow's current interest in a French-Soviet detente, but it also gives the party a chance to avoid isolation from the center-left in case of a rightist rebellion on the Algerian issue. (b)(3) (b)(3)

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ITALY MAY GRANT TRADE CONCESSIONS TO USSR

The forthcoming Italian-Soviet trade talks in Rome will provide an opportunity for the USSR to secure additional credits in Western Europe.

On 9 November, an Italian-Soviet commission is to meet in Rome to draw up commodity lists for 1960 under the four-year trade agreement of December 1957. According to press reports, the new protocol will set a goal of \$192,000,000 for total trade next year, as compared with a 1959 target of \$160,000,000, which is not likely to be reached.

The commission is also scheduled to examine the possibility of allowing the USSR to benefit more extensively under existing legislation, which permits four-year state guarantees of up to 85 percent of the credit extended by Italian exporters.

During the past year at least \$35,000,000 worth of private short-term credits, some guaranteed by the Italian Government, were extended. A high official in the Italian Foreign Ministry told the American Embassy late in October that Italian

press reports that \$100,000,000 had been requested were completely without foundation. Since last spring, Soviet trade officials have asked Italian firms for substantial credits for purchases of chemical plants and equipment, threatening, if refused, to give the orders to other Western European firms.

Italian Government officials allege they are opposed to guaranteeing deals of private firms with the USSR and prefer to utilize the government's limited export credit resources to finance projects in underdeveloped areas. They fear, however, that domestic firms will overextend themselves in granting credits to the USSR, since other European traders continue to grant credits, frequently with government guarantees. Italian legislation is still pending to raise the ceiling on state guarantees for export credits on the grounds that Italian exporters must be aided to compete with more extensive export credit systems existing in other Western countries. (b)(3)
(Concurred in by ORR)

RUMANIA ATTEMPTS TO STEP UP ECONOMIC RELATIONS WITH WEST

For the past several months Rumania has been striving to expand its economic relations with the West and--with a view to obtaining further Western credits--to build Western confidence in its financial soundness and international responsibility. To this end, the Rumanians have indicated a readiness to discuss settlement

of nationalization claims and to explore possibilities for expanded cultural relations.

US-Rumanian negotiations on war damages and nationalization claims will reopen in Washington on 16 November. Similar meetings between British and Rumanian representatives are scheduled to start soon in

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Bucharest. A mixed Greek-Rumanian commission has been evaluating claims since March. France agreed to a claims settlement on 9 February; this was followed by an expansion of cultural and economic relations.

Pointing to the French settlement as an example, Bucharest is pushing for expanded trade with Sweden, Greece, Britain, Italy, and the US. Sweden signed a trade agreement with Rumania in August on the assurance that claims negotiations would be completed within a year.

By holding out the prospect of settling claims, Bucharest has been endeavoring to obtain more Western credits for purchases of heavy machinery, complete factories, machine tools, and other technical equipment needed to help meet its capital requirements under the forthcoming Six-Year Plan (1960-1965). High-ranking Rumanian economic officials made semiofficial visits this summer to Britain, France, the Benelux

countries, Switzerland, Italy, and Greece to pave the way for expanded trade based on credit.

The Rumanian policy of detente toward Western nations has so far had little substance outside the economic sphere. The possibility of increased cultural relations is held out by Bucharest as a consequence of the new "thaw" in East-West relations, but French, Swedish, and American experiences strongly suggest that cultural relations will be stepped up only after trade has been substantially expanded.

Surveillance and strict controls continue to be maintained over Western diplomatic personnel stationed in Bucharest. The suddenly friendly official attitude toward American representatives in the Rumanian capital contrasts sharply with Bucharest's propaganda attacks on the US and its allies--attacks which follow the Soviet lead in every case.

(Concurred in by ORR(b)(3))

CZECHOSLOVAKIA'S THIRD FIVE-YEAR PLAN

As recently outlined by planning chief Simunek, directives for drafting the Czechoslovak Third Five-Year Plan (1961-65) express President Novotny's determination to continue the rapid build-up of heavy industry, recalling in many respects Soviet plans of the Stalin era. Rapid increases in industrial growth during the last three years have prompted the regime to revise upward the preliminary estimate of over-all industrial possibilities made public at last year's 11th party congress.

Under the new directives, industrial production in 1965

is to double the 1957 level. Czechoslovakia's advanced engineering industry is to expand twice as fast as originally contemplated, and higher targets are specified for commodities basic to industry: steels, fuels, electric power, and building materials. While output of producer goods is to rise 60 percent between 1961 and 1965, that of consumer goods will increase only 30 percent.

The annual rate of industrial growth during the five-year plan period will be 8.5 percent, compared with 10.2 percent during 1958-60, because of more extensive investment in

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UNCLASSIFIED

**CZECHOSLOVAKIA:
ACTUAL AND PLANNED PRODUCTION
OF SELECTED BASIC COMMODITIES**

(MILLION METRIC TONS EXCEPT WHERE NOTED)

COMMODITY	1958 LEVEL	1965 PRELIMINARY TARGET
Electric Power (BILLION KWH)	19.6	37.7
Hard Coal	25.8	35.5
Brown Coal	54.3	73.2
Coke	7.4	11.6
Pig Iron	3.8	7.6
Crude Steel	5.5	10.5
Cement	4.1	8.6
Synthetic Fibers (THOUSAND METRIC TONS)	55.0	105.6
Meat (THOUSAND METRIC TONS)	415.0	583.1
Footwear (MILLION PAIRS)	68.0	101.0

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large-scale, long-term projects whose full effect on production levels will not be felt until after 1965. Investment will continue to account for a high share in the distribution of national income, while industry's portion of total investment will grow considerably.

Great capital outlays will be tied up in vast new construction projects for the metallurgical and chemical industries, most notably in a giant metallurgical combine near Kosice in eastern Slovakia. This combine replaces the former "Huko" project initiated in 1950 and abandoned two years later as economically unsound.

Planned industrial expansion relies not only on this greater investment, but also on even larger increases in

labor productivity than scheduled under previous plans and seldom attained. Yet if labor productivity develops unsatisfactorily, as seems likely, the regime could resort, as in the past, to above-plan allocations of manpower to industry. These could, in turn, be damaging to the agricultural sector, which will probably need more labor and capital than the plan now provides in order to meet its production target of a 40-percent increase over 1957.

Although the plan stipulates a 5.3-percent annual increase in personal consumption during 1961-65, it is doubtful the regime can fulfill this promise because it depends on success in the agricultural program. The determination with which the regime enforces heavy industrial priorities may lead to further stinting on investment allocations for consumer-oriented sectors--including housing, where plans vastly more ambitious than in the past require large investment. The outlook for the consumer is now one of harder work and slow gains in real wages.

Czechoslovak economic policy, perhaps the Soviet bloc's most "orthodox" and hard-line, may promote industrial growth at the price of increasing consumer dissatisfaction. Any serious public discontent as a result of slowness in improving the level of living would probably be met with economic concessions, however, even if these involved some temporary decline in the rate of industrial growth. (Pre-(b)(3) pared by ORR)

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EAST GERMAN CHURCH-STATE STRUGGLE INTENSIFIES

The Ulbricht regime is preparing to sever the East German church from its leadership in West Berlin.

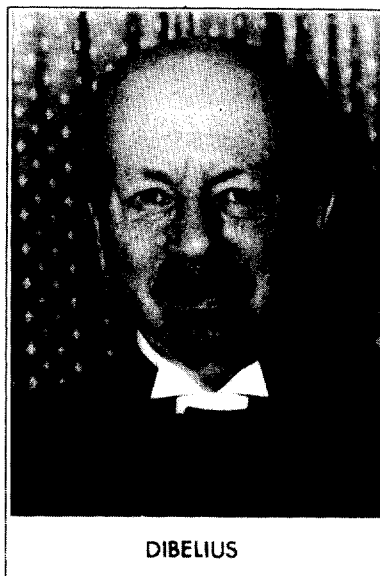
Bishop Dibelius, 79-year-old president of the Council of the Evangelical Church in Germany and head of the Berlin-Brandenburg Diocese in East Germany, recently asserted in an open letter that a Christian is not obliged to obey any laws of a totalitarian state--including even such ordinances as traffic regulations on the Berlin autobahn, since they might be intended for evil purposes such as starving out West Berlin.

In consequence, he was summoned from his residence in West Berlin to an interview on 28 October with the acting mayor of East Berlin, Waldemar Schmidt. According to East Berlin newspapers, Schmidt charged Dibelius with seeking to undermine the legal order in East Berlin and stated that the bishop had "deprived himself of grounds for further activity" in the Soviet sector of Berlin.

The Evangelical Church leadership in Berlin-Brandenburg now is under heavy pressure to condemn Dibelius, and an East German broadcast of 23 October construed an equivocal statement by this group to mean that East German churchmen have publicly dissociated themselves from their bishop. In an effort to enlist sympathy from believers in East Germany, the Communists are accenting the traditional Lutheran view that the "state is an expression of the will of God" and thus must not be resisted.

The regime has also intensified its efforts to cut

off travel by East German Protestants to West German church functions. It allowed only 2,000 persons to attend the Evangelical conference (Kirchentag) held in Munich in August, in contrast with the many thousands who were permitted to go in past years. The Communists are



DIBELIUS

also promoting closer ties between certain selected East German Protestant church leaders--notably Bishop Moritz Mitzenheim of Thuringia--and Orthodox Church leaders in the USSR. Mitzenheim and other high churchmen visited Moscow in September, and Patriarch Aleksey of Moscow is slated to come to East Berlin next Easter.

In expectation of continued Communist efforts to divide the church, the Berlin-Brandenburg Synod last spring--with Dibelius' acquiescence--adopted an "empowering clause" designed to enable the church leadership in East Germany to issue emergency decrees if its communications with Bishop Dibelius' office in West Berlin were cut off. The East German press hailed the move as recognition of East German sovereignty; West Berlin church officials said

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many synod members opposed the step because it served to undermine one of the few remaining vestiges of German unity.

Under steady regime pressure, East German Christians are having difficulty maintaining their opposition to the Communists. Enrollment for the Jugendweihe--the regime's atheist youth indoctrination program--has grown to include a large proportion of teen-age

youth. Commenting on declining church membership, an East German attending the recent Kirchentag in Munich declared: "People are falling away like withered leaves."

In the event the regime meets with further significant success in gaining the cooperation of the local clergy, it can be expected to take steps to establish a separate church in East Germany. [redacted] (b)(3)

THE SITUATION IN CUBA

The Castro government's new mining law and its seizure of oil companies' files are additional evidence of its drastic approach to economic reforms, many of which are badly needed.

Most of the large and unexploited petroleum and mineral concessions, as well as the mining industry in general, are controlled by American interests which Cubans feel have not developed their holdings rapidly enough to benefit the economy. Alienation of these private investors who have been considered the only source of sufficient capital for developing the subsoil resources, and increased government control over the economy will probably be accompanied by an intensified search for European--and possibly Soviet bloc--technical and financial assistance.

Cuba may be planning to resume diplomatic relations with the USSR and open trade rela-

tions with East Germany. On 3 November the semiofficial daily Revolucion urged that Soviet First Deputy Premier Mikoyan, who will inaugurate the Soviet exhibition in Mexico on 22 November, be invited to visit Cuba as the first step toward renewed relations and further trade with the USSR. Ambassador Bonsal in Havana has reported that East German economic officials are expected in Cuba soon, and he considers it quite likely that some rapprochement may be contemplated.

Castro's revival on 29 October of the revolutionary tribunals and the reintroduction of the death penalty are again arousing unfavorable comment in Latin America. Hemisphere leaders and newspapers sympathetic to Castro's planned reforms and aspirations for Cuba have been increasingly critical of his excessive and irrational actions. [redacted] (b)(3)

BOLIVIA

The conflicting presidential ambitions of former President Victor Paz Estenssoro and Walter Guevara Arze, right-wing leader of the ruling Nationalist Revolutionary Movement (MNR), are causing serious unrest in Bolivia. Moderate President Siles has apparently swung his support from Guevara to Paz;

this is likely to give the June 1960 presidential election to Paz and the left wing. Left-wing leaders are frequently critical of the United States, although a recent oil discovery by a US-financed company in Bolivia has apparently moderated some of their anti-US attitudes.

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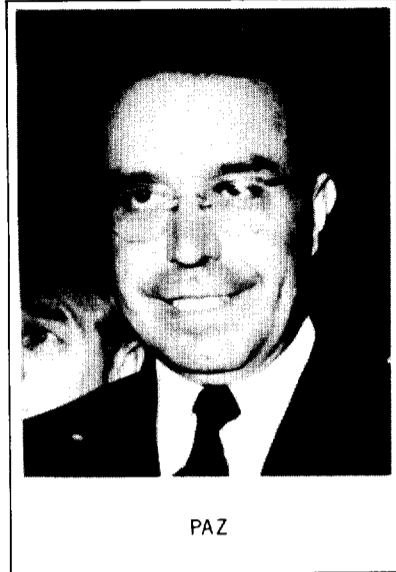
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Paz has hinted that he will choose leftist labor leader Juan Lechin--key opponent of the US-backed economic stabilization program--as his running mate at the presidential nominating convention of the government party scheduled to open in late December or early January. Right-wing elements probably feel that a Paz-Lechin ticket will imply a more leftist administration than Bolivia has ever had. Right-wingers in desperation could resort to an abortive coup attempt. Moreover, armed violence may break out because the police and the civilian militia are divided in loyalty.

In an apparent move to placate right-wing elements, Siles in late October demanded that leftist Jose Rojas, a principal leader of the rural militia, resign from the cabinet. The threatened dismissal of Rojas has provoked outbreaks of militia violence. Certain



GUEVARA



PAZ

Rojas units have been surrounded by opposing forces under a right-wing rural leader. Each leader has the loyalty of 3,000 men. The basic militia unit consists of a company of about 100 men armed with rifles, submachine guns, a mortar, and a heavy-machine-gun section.

Bolivian Army strength varies seasonally between 7,000 and 12,000. The army tends to be loyal to the Siles government but would be unable to quell widespread outbreaks of militia violence. (b)(3)

BRITAIN'S RELATIONS WITH WESTERN EUROPE

Since re-election the Macmillan government has given priority to improving Britain's relations with the six European Economic Community (EEC) members. Foreign Secretary Lloyd will try to promote his plans in a visit to Paris on 11-12 November. Visits to London are planned by West German Chancellor Adenauer on 17-18 November and Italian Premier Segni on 1-3 December.

London is apprehensive lest the continued strengthening of

the EEC group further reduces British influence on the continent. Lloyd wants to try to "bridge the gap" between the EEC and the proposed little free-trade area (Outer Seven) which the UK promotes, rather than wait several years as many observers, including some of his own advisers, believe necessary.

From London's viewpoint, the EEC Council of Ministers' decision in mid-October to proceed with periodic political

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consultations on a six-nation basis carries the threat to British interests one step further. Lloyd has suggested several projects which would tend to increase British participation in European endeavors short of making supranational commitments. His expressed desire for closer political coordination and for improved coordination of weapons development suggests that he may try to revive the Western European Union, the only European organization composed of the six EEC countries plus Britain.

Lloyd also advocates concentrating European institutions in one city, but this suggestion will be no more welcome now than

it was three years ago when Europeans suspected that it cloaked a scheme to disrupt progress on integration.

The atmosphere for the coming visits nevertheless seems improved. In a recent Parliamentary debate Lloyd went out of his way to kill one source of French and German suspicions by heaping scorn upon European "disengagement." Macmillan's cordial response to Adenauer's message of congratulations on the Conservatives' election victory greatly pleased the chancellor. De Gaulle, for his part, has agreed to pay a state visit to the United Kingdom in early April. (b)(3)

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FACTORS IN THE PROBLEM OF NORTH AFRICAN UNITY

The independence secured in 1956 by Morocco and Tunisia and the struggle for independence under way in Algeria are leading to serious consideration of the nature of the relations of North African political entities with each other and with outside blocs. Some North African leaders, recalling the medieval Maghreb empires--the Arab "western land" consisting of the larger part of northwest Africa--have been seeking to create a united and powerful "Maghreb federation." Some of these North Africans go further. Recognizing the dependence of North Africa on France, they envisage an alliance between a confederation of North African states and France, or association with a Western European community.

North Africans planning for a Maghreb federation must consider a variety of forces, attitudes, and traditions which, while partially favorable to unity, contain elements making for disunion. The major international forces influencing such a development would seem to be the heritage of French control and the continuing French economic dominance throughout the area, the attrac-

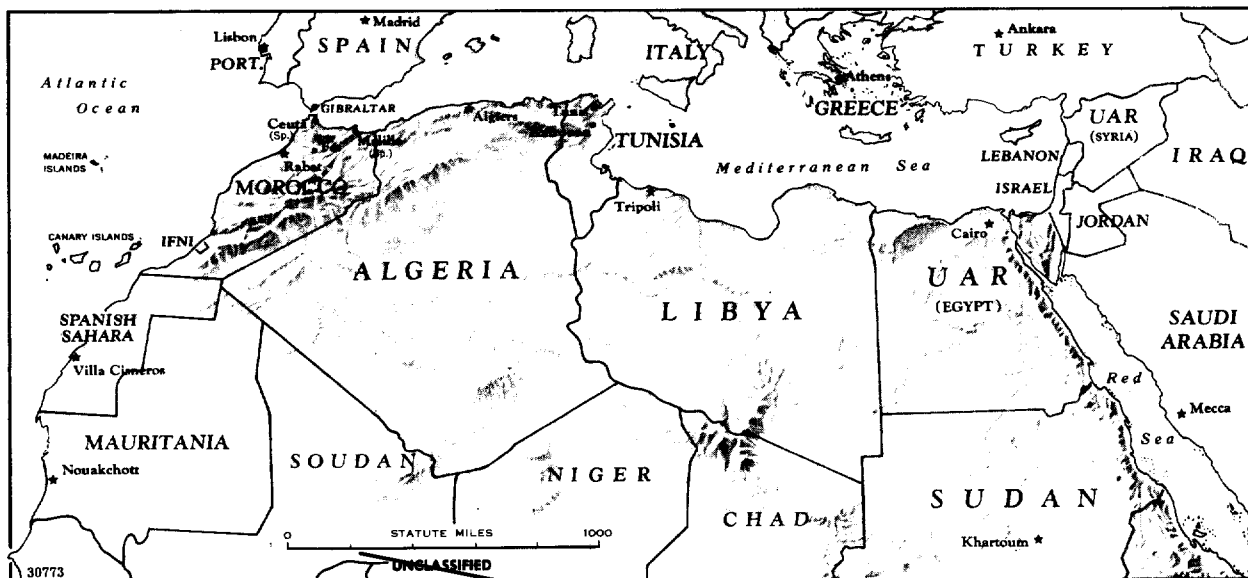
tions and distractions provided by Middle Eastern Arab influences, and the vogue for neutralism and its concomitant tendency toward a relationship with the Soviet bloc.

Within the Maghreb countries, the principal currents affecting unity seem to stem from the appeal of the idea of "the Maghreb" as against disparate policies of the individual North African governments, each of which is developing its own view of what its relations with other states ought to be.

The French Influence

France--whose military conquest of the Maghreb began in Algeria in 1830 and was not concluded until a century later in Morocco--imposed its language and to some extent its culture along the coastal areas. The French administrators who followed the army and colonists superimposed a Western veneer on the local subsistence economies, built European cities outside the native quarters, and developed the whole area primarily as a source of raw materials and markets for France's industries.

The European residents of North Africa--who numbered about

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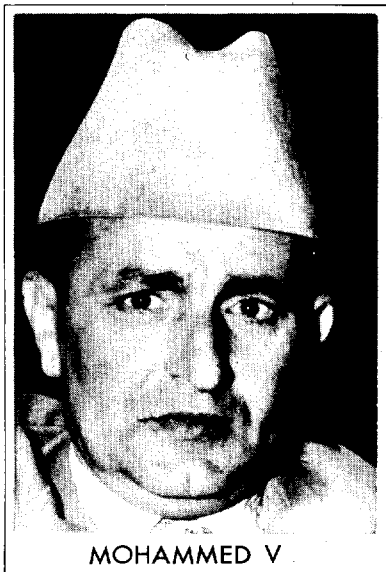
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1,500,000 in early 1956--controlled the most fertile land and held all but the lowliest government jobs. While excellent educational facilities were developed for Europeans, only a relatively few Moslems had access to such facilities.

Although some North African Moslems adopted European customs, the mode of living of the average North African remained largely untouched by Western customs or thought until World War I, when North African recruits mingled with Western soldiers on European battlefields. About the same time, a few North African nationalists gained hope from the concept of self-determination embodied in President Wilson's Fourteen Points. Thereafter, the concept of self-rule and independence snowballed, particularly in the early 1930s among the handful of North African students in Paris.



MOHAMMED V

These former students are today the governmental and political leaders in Morocco and Tunisia and to a lesser extent are influential in the Algerian National Liberation Front. Moreover, the military leaders of the Algerian rebellion are largely former noncommissioned officers of the French Army, battle

trained in Europe and Indochina.

The North African governments retain strong ties to France in that their administrative structures are modeled after that of France and to a large extent are staffed by French nationals. Their armies have been organized, officered, and trained by the French. French financial and technical investment still dominates the local economies. North African leaders, with few exceptions, conduct their business in French and wear Western dress. Their wives are fast becoming emancipated and are participating in public life, even in politics. By preference, Western modes of life--including television--are becoming the norm, at least for the educated North African elite.

Middle Eastern Influence

The Arab invaders who overran the area in the seventh and eighth centuries quickly imposed their language and religion on the urbanized residents of the Maghreb. The common bond of blood, religion, and language between Maghrebian and Middle Eastern Arabs, however, now appears more imaginary than real. A North African Arab considers himself essentially a Moroccan, Algerian, or Tunisian and usually adopts a supercilious attitude toward an eastern Arab. Tunisians in particular consider themselves superior to all other Arabs.

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The North Africans rate their religious universities at Fez

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and Kairouan higher than Al-Azhar in Cairo.

The North African version of spoken Arabic is virtually unintelligible to a Middle Eastern Arab, but classical Arabic is taught in the schools and is the language of governmental documents in independent Tunisia and Morocco and of the Arabic-language press. Only a handful of the present Maghrebian leaders were educated in the Middle East. Many of this group may maintain ties and some degree of affinity toward their seat of learning, but others--notably Morocco's Allal El-Fassi--have broken with Cairo. A greater number of North African youths may now be enrolled in Middle East universities than heretofore, but the Paris- or Western-trained youth still is the preferred employee.

The young liberals in Morocco and Tunisia are pushing their governments for closer relations with the Arab states. These efforts seem designed to broaden their countries' contacts and may also stem from their intense interest in Middle Eastern socialistic experiments. One result of these efforts--and those of then Iraqi Foreign Minister Jamali--was that in 1958 both Morocco and Tunisia joined the Arab League.

Since then Morocco has participated in most league activities and, in fact, was host to the league's most recent regular meeting early in September. Morocco may also be taking the lead in an effort to increase the influence of non-UAR states in the league. Nevertheless, Moroccan leaders remain principally preoccupied with local problems.

Tunisian President Bourguiba apparently joined the league mainly as a gesture of solidarity with Morocco. He immediately challenged Nasir's dominance over the league, how-

ever, and when his maneuver was censured by the organization, used his long-standing quarrel with Nasir as an excuse to walk out. Bourguiba shows no indications either of desiring to cooperate closely with other Arab states or of improving relations with Cairo.



HABIB BOURGHIBA

The Algerian rebels, meanwhile, have depended largely on the eastern Arab states for financial and material support in their struggle for independence. Like the Moroccans and Tunisians, however, the Algerians look askance at what they consider the more backward Arabs and espouse Western concepts and admire Western techniques.

Maghrebian Neutralism

The Moroccan and Tunisian governments and the Algerian rebels have adopted neutralist foreign policies. Morocco, taking the lead in establishing diplomatic relations with the Sino-Soviet bloc last fall, says it has a policy of nondependence or nonalignment. It recently confirmed the imminent exchange of ambassadors with Hungary, Poland, and Czechoslovakia, raising the number of bloc establishments in Rabat to five. Despite increasing exchanges of visits with the bloc and a fascination with economic developments

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in Communist China, which many Moroccans seek to emulate, Morocco's contacts are still predominantly with the West.

Tunisia, on the other hand, adopted a policy of non-engagement after President Bourguiba had repeatedly declared himself on the side of the West. Bourguiba persisted in this policy long after the "young Turks" in his entourage had pointed out the advantages of playing East against West to gain essential economic development assistance. He directly tied his policy shift to prolonged difficulties with France, most of which evolved from Tunisia's support of the Algerian rebellion.

Thus far Tunisia has permitted only the establishment of a Czech Embassy, with a non-resident ambassador. There are indications, however, that it may soon accept a Soviet ambassador. Earlier this year two Tunisian secretaries of state visited the Soviet Union. Bourguiba considers these moves merely demonstrations of his independence from Western controls, however, and he probably will continue to go slow in contacts with the bloc.

Both Morocco and Tunisia have substantially increased their foreign trade with the bloc. Nonetheless, this expanded exchange of commodities still remains a small fraction of the countries' foreign trade.

The Algerian rebels, whose provisional government has been recognized by Communist China and the Asian satellites but not by the Soviet bloc, maintain contacts with the bloc. The present moderate rebel leaders justify their acceptance of bloc training, relief supplies, and possibly some materiel as essential to continuing their struggle, in view of the lack of Western support.

Prospects for Federation

Common bonds of geographic proximity, language, religion,

and experience as French colonial areas have been forces for cohesion in the Maghreb. The leaders, who initially shared classrooms and dormitories in Paris, have long plotted together to achieve their objectives.

In 1958, two years after Morocco and Tunisia achieved independence, a conference of North African political leaders at Tangier created an embryo Maghreb federation and established a permanent secretariat in an effort to lay the foundations for intra-Maghrebian collaboration. Although the unity given expression at Tangier has not been maintained, and although serious rivalries and dissensions have developed which impede the development of a strong and unified Maghreb federation, North African politicians not infrequently extol Maghreb solidarity.

The King and those who seek to develop a constitutional monarchy in Morocco fear that antimonarchist forces in Morocco were encouraged by the abolition of the Tunisian monarchy in 1957. They regard with suspicion all efforts by Bourguiba to expand his influence within the Maghreb or to pose as the principal North African spokesman. The Tunisians, on the other hand, regard with dismay the disunity among Moroccan political groups. The Tunisians see the forces for instability in Morocco as an invitation for the extension of Communist influence.

Both governments are also jealously watchful of each other's relations with France. Mohamed V, maintaining a more harmonious relationship with Paris than the outspoken Bourguiba, was notably piqued last year when Tunisia obtained a commitment from France to evacuate all its bases in Tunisia save Bizerte. French troops remain scattered throughout Morocco, and Rabat still presses for total evacuation.

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The Moroccans and particularly the Tunisians--despite massive assistance to the Algerian rebels--fear the creation of a powerful, independent Algeria which might seek to dominate its neighbors. For that reason Bourguiba has pressed the rebels to follow his example in accepting less than total independence and in keeping close ties with France.

The Algerians, for their part, are irritated by Bourguiba's pressures, his unsolicited advice, and the fact that he has occasionally been swayed by Tunisia's national interests to take steps contrary to their interests. They have not forgiven his agreement giving a French company transit rights for a pipeline transporting Saharan oil, and they resent Tunisian and Moroccan pretensions to portions of the Sahara.

In light of these considerations, therefore, the federation set up 18 months ago in Tangier seems unlikely to develop soon into a meaningful body. Its existence, however, has a symbolic utility which may on occasion be exploited by Maghreb politicians.

Alliance With the West

A united Maghreb, closely tied to Paris, has a certain appeal to French officials groping for a solution to the Algerian problem and desiring to retain France's dominant role in Morocco and Tunisia. A union would also complete the north-south axis between the African members of the French Community and continental France and would round out a large sphere of French culture and economic leadership. Regardless of these potential benefits, Paris does not appear to be pushing for a united Maghreb. French relations with Morocco and Tunisia have improved somewhat from their recent low points, but mutual distrust is still strong.

Before he came to power, De Gaulle was believed to favor the establishment of a North African federation linked to France in a manner that would permit French control of the federation's military and foreign policies. He has not pushed this idea, and his program of 16 September for Algeria seems to point toward a separate identity outside the Maghreb for the Algerian departments--possibly in association with the French Community or conceivably even as an independent state. The possibility remains, however, that the question of Maghreb solidarity may be reconsidered by the French after the promised Algerian referendum.

North African leaders, recognizing their indebtedness to and dependence on France, have also envisioned a loose union with France. President Bourguiba, with doubtful sincerity, has even gone one step further and offered to relinquish some of Tunisia's sovereignty if France would recognize an independent Algeria within a Maghreb federation allied with France.

The North Africans' sensitivities to anything remotely resembling a negation of their sovereignty and independence, however, probably would inhibit an alliance with France alone. The Moroccans and Tunisians, in applying for affiliation with the Organization for European Economic Cooperation and the Common Market, have indicated a desire to diversify their contacts by dealing with all the West. Both Morocco and Tunisia have strongly resented French financial and military pressures and seek to thwart the continuance of France's strangle over their economies and armies by diversification of their independence among, mainly, all Western sources. Any new kind of relationship would seem to be for the more distant rather than the immediate future.

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THE FRENCH COMMUNITY IN EVOLUTION

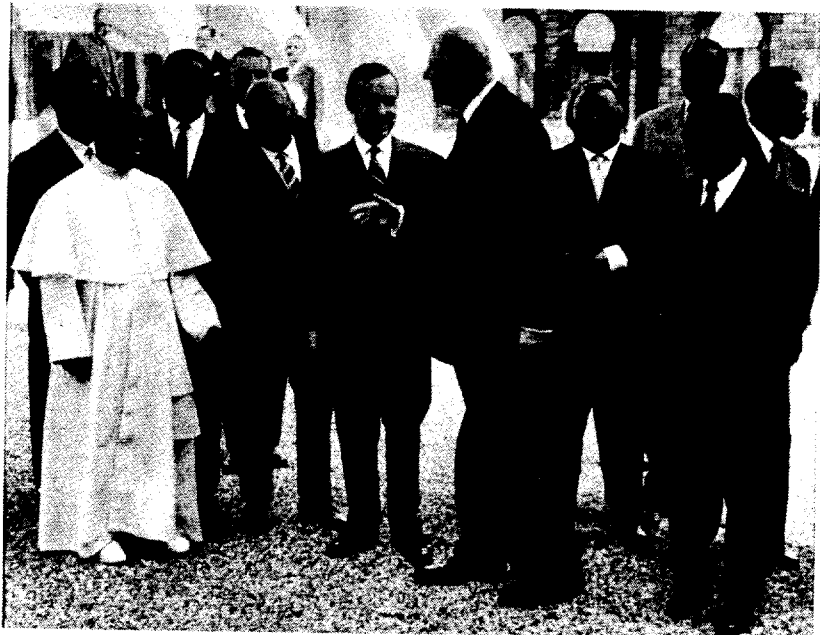
The French Community, just over a year old, seems about to undergo far-reaching structural changes which the French hope will encourage present members to remain and perhaps will even attract new ones. In the face of rising African nationalism, Paris has recently officially accepted the concept of an evolving Community in which powers now exercised by France through the Community machinery will eventually be turned over to the individual member states.

In the official communiqué following the last Community Executive Council meeting on 10 and 11 September, however, De Gaulle underlined the "evolutionary character" of the Community, noting that the development of the structure of the states would determine the evolution. This publicly confirmed a new tack in French official thinking since the previous council meeting in July, when leaders of the Mali Federation--comprising the republics of Senegal and Soudan--began

A Community of states with varying degrees of autonomy but oriented toward France and the West may ultimately provide a legal framework for solving the problem of Algeria if De Gaulle's preference for a loose French-Algerian association is realized. Prospects for lasting political ties in the Community are not good, however.

Paris' Position

Even before coming to power, De Gaulle characterized his colonial views as "midway between those who want to change nothing and those who want to abandon everything," and his original concept of the French Community--which has replaced the old French Union--was designed to embody this. Nevertheless, De Gaulle's initial preoccupation with Community institutions and his reportedly highhanded brushing aside of African nationalist leaders who publicly advocated a more flexible organization seemed designed to freeze the Community's original structure for an indefinite period.



Leaders of some autonomous republics with President de Gaulle at September 1959 meeting of the Executive Council of the French Community: (left to right) Tombalbaye (Chad), Youlou (Congo), Maga (Dahomey), French Minister of State Jacquinet, Mba (Gabon), French Premier Debré, De Gaulle, Tsiranana (Malgache Republic), Keita (Soudan), Houphouet - Boigny (Ivory Coast), and Dia (Niger).

pressing for independence but found De Gaulle unwilling even to discuss the possibility of the Community's evolution.

The fact that the sharp cleavages among West-African Community leaders earlier in the summer now have been smoothed over is the best evidence that a top-level decision has been made in Paris on the evolution of the Community. Senegal Premier Mamadou Dia set the new tone in an article in the influential Paris daily Le Monde, and his moderate program was

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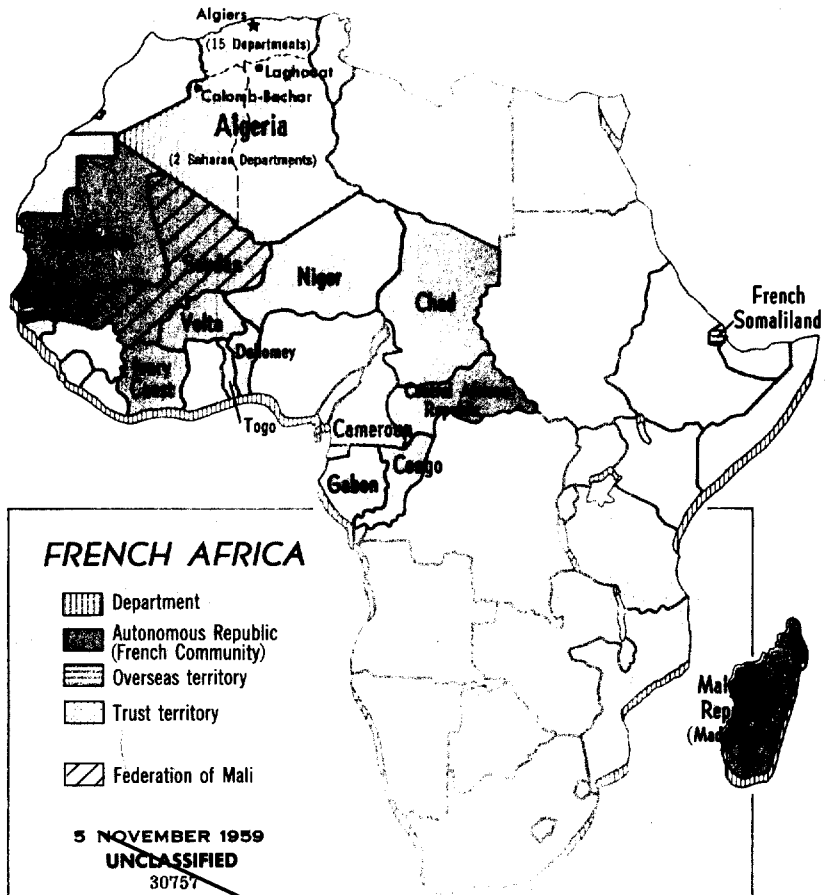
accepted by the more nationalistic Modibo Keita, who is both premier of Soudan and President of Mali. Even Ivory Coast Premier Houphouet-Boigny, originally the leading African advocate of a strong federal community, stated after the September meeting: "If certain states consider themselves able to assume responsibility for common affairs, that is their business."

Nature of Evolved Community

Although many of the details of how a community of states enjoying differing relations with France could function have probably not yet received high-level consideration, the broad lines of development are already apparent. In the Community as now constituted, all the West African states and Madagascar (the Malgache Republic) are alike in respect to their own powers and those-- notably in the fields of foreign policy, defense, and economic and financial policy-- reserved to the Community and in practice exercised by Paris.

The French apparently envisage granting certain of the Community powers to the member states on an individual basis under Article 78 of the French Constitution, which provides that "special agreements may create other common jurisdictions or regulate any transfer of jurisdiction from the Community to one of its members."

This experiment will probably first be tried fol-



lowing the 11 December Executive Council meeting in Senegal, when powers now exercised by the Community, including control of foreign affairs, may be transferred to Senegal and Soudan and, by them, to the Mali Federation. Other Community members, particularly the more developed states of West Africa, will probably soon be under native nationalist pressure to seek similar accommodations with France.

New Members

The constitution also provides for new Community members. Among the most likely prospects would be the French trust territories of Togo and Cameroun, which are scheduled to gain their independence in 1960. There is also evidence that France may hope ultimately to attract Morocco and Tunisia. In these cases, however, the ties would probably amount to little more than economic

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agreements or a more formalized membership in the franc zone.

A Place for Algeria

The concept of a Community embodying a variety of relationships appeals to some Frenchmen as a possible way out of the increasingly harsh dilemma posed by the Algerian situation. Having previously promised Algeria a "choice place" in the Community, De Gaulle in his 16 September proposal of three possible alternatives included independence and integration among them but laid special emphasis on a form of French-Algerian association which could be adapted to the Community. He envisaged "a government of Algeria by Algerians, bolstered with French aid and in close union with France for economic, educational, defense, and foreign affairs."

Under this alternative, De Gaulle also noted the "necessity of organizing Algeria internally along federal lines "so that the various communities can have a framework for cooperation." Such a federal state within a multirelationship Community would maintain Algeria as a political entity while simultaneously providing the legal framework for firm French control of certain parts --e.g., the coastal cities and the oil-rich Sahara.

If, however, De Gaulle moves too rapidly to tie his preferred Algerian solution to the Community, it would exacerbate long-standing disagreements among the French on the extent to which native nationalist aspirations can be satisfied without losing effective control over the African areas.

Proponents of a place for Algeria in the Community would probably feel this problem obliged them to move slowly in implementing the planned transfer of Community powers to the individual states. Prolonging

this process, however, would run the risk of irritating the African member states to the point that some would decide on complete withdrawal from the Community. Furthermore, only a relatively solid Community, with safeguards on continued French control of key areas of Algeria should it become a member, would have a chance of gaining acceptance of French rightists.

Prospects

Even the French leaders who favor a loose Community of varying relationships as the only means of retaining French influence in Africa may not be as sanguine about its durability as they profess. They are apparently gambling, however, that native nationalist forces will be satisfied with the new arrangements long enough to allow the economic benefits of Community membership to become apparent and thus engender continued and willing native participation. There may also be the hope that if such future states as Togo and Cameroun choose to associate with the French Community, this will counteract some of the other external African nationalist influences on the Community states.

Nevertheless, it appears unlikely that African nationalist fervor can be dampened more than temporarily by any French-proposed association, however liberal. Furthermore, the cost of an economic aid program sufficient to encourage continued membership in the Community would be prohibitive for France alone. With the French budget already strained to meet present commitments, Paris can be expected to look for outside contributions that would be channeled through expanded--and French-controlled--programs such as the Constantine Plan and the other African investment programs.

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SOVIET REACTION TO THE AMERICAN EXHIBITION IN MOSCOW

The American exhibition, which concluded its six-week showing in Moscow's Sokolniki Park on 4 September, was the object of continuous intense interest and curiosity, despite strenuous Soviet efforts to undermine its impact. Well over two million Soviet citizens attended. Their reaction appears to have been one of general approval, although there was some disappointment about the organization of the fair and the type and quality of some of the goods displayed.

Those who came, whether or not they liked all they saw, by and large went away with a greater understanding of the United States. The fair's success in this respect appears to have been due as much to the contacts between American guides and Soviet visitors as to the exhibits themselves.

The exhibition was the most exciting and talked-about event in Moscow during the summer. There was an intense desire among all levels of Soviet society to attend. The people were proud of having seen it themselves or of knowing someone who had. The US exhibition lapel pins immediately became

a prestige symbol and are still frequently worn in public.

Many people were exposed for the first time to something other than the propaganda monologue of their own regime. Regardless of whether reactions were negative or positive, each visitor carried away an impression of a different type of society from his own. Given the Russians' limitless curiosity about all things American, it can be assumed that the fair whetted their craving for more information about the United States and closer contacts with Americans.

The impact of the fair was felt throughout the Soviet Union. Exhibition pins have been seen in such distant places as eastern Siberia, Estonia, and Armenia. There are also numerous reports that exhibition pamphlets, frayed and dog-eared, are being circulated in widely scattered areas.

The exhibition unquestionably added impetus to the general desire of the Soviet public for more and better consumer goods. It is widely rumored in Moscow that the American exhibition was responsible for the recent introduction of installment buying in Moscow. It is said that after the exhibition opened, thousands of letters poured into municipal offices demanding that installment buying be introduced. There is no basis to this rumor, since credit buying has been on its way--by experimental stages--since last February; it is interesting, however, that so many Muscovites are associating the innovation with the fair.



Demonstration of Polaroid Camera.

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Demonstrations of Ready Mixes and Frozen Foods.

Official recognition of the demand for consumer goods has already been evident in the sudden, increased attention given to Western display techniques and American-style appliances. The recent government decree calling for the improvement and increased production of certain consumer goods seems clearly to carry the stamp of the fair's influence.

Efforts to Discredit Fair

The regime's attitude toward the fair remained officially correct throughout, but unofficially every effort was made to discredit it and divert public attention. The main attack--waged in the Soviet press--got under way well before the exhibition opened. Day after day the press hammered away at unemployment and at job, education, and race discrimination in the United States. The carping tone continued into the opening weeks of the fair, as the press endeavored to "correct" the "false" picture presented of life in the United States.

The announcement on 3 August of the impending exchange of visits between Premier Khrushchev and President Eisenhower marked a turning point. The disparagement campaign slackened in the face of the effort to emphasize the prospects for improved US-Soviet relations. Press criticism continued but usually was placed in a setting which stressed the advantage of increased exchanges.

Criticism of the fair and harassment of its officials was carried on inside the fairgrounds by thousands of party and Komsomol members who served as agitators. Apparently they were instructed to criticize specific aspects of the exhibition, express their disappointment over the lack of technological displays, and laugh at the modern art. More serious, however, were their efforts to neutralize the effectiveness of the Russian-speaking guides by bombarding them with provocative questions, tying them up in involved technical discussions, and generally confounding their work.



Sewing Demonstration.

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During the first few days, over half of the visitors appeared to be agitators. They were quickly spotted, however, and the reaction of the other Soviet visitors more often than not was hostile toward them. The number of agitators soon decreased markedly, probably due as much to the realization that their efforts were backfiring as to the improved climate of US-Soviet relations.

Competitive Attractions

With the opening of the exhibition, Moscow blossomed with new attractions of its own, designed to distract the public from the fair. The Soviet Government apparently felt it necessary to show that it could do as well as the Americans.

A Soviet consumer goods display was opened in an adjacent section of Sokolniki Park the day before the US exhibition opened. The Soviet counterpart was an obvious and almost ludicrous copy, complete with its own aluminum roof and smiling girls demonstrating electric stoves and shining cars. It was so located as to catch the attention of those waiting in line to get tickets to the US exhibition. A giant bazaar, where scarce consumer goods were offered for sale, was opened in another part of Moscow at about the same time.

Control of Soviet Visitors

Distribution of tickets to the fair was tightly controlled by the regime. Initially, all tickets were distributed to district party committees, which in turn allotted them to the factories and offices under their jurisdiction. Numerous reports indicate that the bulk of tickets went to party members and various other favored groups. The demand for tickets far surpassed the supply, and the discriminatory distribution

policy was a source of frustration and bitterness to many Russians.

Some tickets were eventually put on "public" sale each day at Sokolniki Park. A person trying to avail himself to this service, however, had to line up for a screening check before proceeding to the ticket office. This procedure could take as long as five hours, and there was no guarantee that tickets would still be available.

Inside the fair a careful watch was maintained over the citizenry. Security officials circulated among the crowd, and it was not unusual to see someone who had been "indiscreet" tapped on the shoulder and called aside for a little "chat."

One of the methods the regime used to harass visitors was to prohibit the installation of any toilet facilities in the exhibition building.

Effects of These Measures

The opinions of many visitors were molded by the line taken in the press, but there is strong evidence that the belittling propaganda and control measures were in many important respects backfiring. One Soviet citizen remarked that here was an example of a high-level decision overzealously carried out by second-level officials.

The campaign helped hold the ideological line, but it was not successful in imposing a negative image of the United States upon the Soviet public at large. There appears to have been in some instances a direct correlation between press criticism of certain displays and public interest in them. The popularity of the Family of Man photographic display was assured after Izvestia ran an article objecting to some of the photographs.

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The constant harping in the Soviet press on such American problems as unemployment prompted Soviet visitors to ask questions which enabled the American guides to reply with the American side of the question. An explanation of unemployment insurance, for instance, took most people by surprise and probably shook a few misconceptions.

Popular Reactions

Popular reactions to the fair varied widely, depending



Shoe Display.

on prior expectations and the level of education and degree of knowledge of the West. In general, the people were impressed but not ecstatic over what they saw. While numerous individuals were obviously delighted and amazed, there is also good evidence that in many others appreciation was mixed with disappointment.

Many people had developed such extravagant expectations of what the Americans would show them that the real thing

was bound to fall short. There was apparently a widespread craving to see the full panoply of American luxuries--an element which was deliberately muted. Many visitors were heard to complain, "Why haven't you shown us your best?"

While the constant criticism of the lack of examples of American technology was in large measure officially inspired, there appears to have been some genuine disappointment. Most visitors were well aware of American technological achievements and had expected to be impressed.

Many visitors were bewildered by what seemed to be the fair's lack of direction, focus, and explanation. The Soviet people are accustomed to hard selling and heavy-handed exhibitions where visitors are carefully herded, told what they are looking at, why they are looking at it, and what they should think about it. Many members of the Soviet intelligentsia, however, found the light holiday mood and freedom to wander and discover for themselves refreshing and the feature which impressed them most.

Reaction to Specific Displays

The most popular displays were the automobile, Circarama --the 360-degree screen tour of the US, and color television and the Family of Man. By all accounts, however, the American guides ranked as high or even higher than the exhibits. The craving of Soviet citizens for contact with Americans made the guides focal points of interest. Their ability to speak Russian, their candor and general knowledge won them unstinting praise. "Wonderful lads are your guides," reads one entry in the remark book.

There is no question about the appeal of the American automobiles. Individuals who could otherwise find nothing

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complimentary to say about the fair made an exception in this case. Among the "technical marvels" which the average visitor had so hoped to see, Circarama impressed almost everyone with both its mechanical perfection and its content, and color television was a smash hit.

The Family of Man exhibition may have had the greatest

impact, particularly with the better educated. Nearly everyone was moved by the human appeal of the photographs, and there is reason to believe that this exhibit's message became associated with US policy as a whole. Other well-received exhibits were the model house, demonstration kitchen, and book corner.

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PART IV

OTHER INTELLIGENCE ISSUANCES

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