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CURRENT INTELLIGENCE WEEKLY SUMMARY



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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

DEVELOPMENTS IN SOVIET FOREIGN RELATIONS Page 1

Moscow promptly moved to keep alive the issues developed in the Powers trial by requesting on 20 August that the UN General Assembly session this fall consider the US "threat to peace" created by the U-2 and RB-47 incidents. Soviet propaganda is using the trial to renew charges and warnings against the use of American overseas bases, and further diplomatic action on this question will probably be forthcoming. Moscow is also attempting to give the impression of correct and legitimate trial procedures to support the authenticity of its claims that the U-2 was brought down by a rocket at 68,000 feet. Khrushchev's appearance at the UN discussion on disarmament continues to be a strong possibility, and other bloc leaders may also attend.

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CUBAN DEVELOPMENTS Page 2

Cuban leaders have been vitriolic in their condemnation of the United States and its "lackeys" at the OAS meetings in Costa Rica. In Cuba the proceedings of the Cuban Communists' eighth national congress have vied with OAS developments in the press and other propaganda media. The congress featured the expected violent attacks on US "imperialism," praise for Fidel Castro and his conduct of the Cuban revolution, and a call for unity of all forces backing the Cuban revolution. Representatives of at least 31 foreign Communist parties, including most Sino-Soviet bloc parties, were present to express their solidarity with the Cuban revolution. No Soviet representatives have been reported. On the domestic front, there are some signs of open, although still sporadic and uncoordinated, opposition to the Castro regime.

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REACTION TO OAS SANCTIONS AGAINST TRUJILLO REGIME Page 4

The Dominican radio El Caribe announced on 23 August that it is attempting to open negotiations for the services of TASS in order to help counter "imperialist interests opposing the Dominican people." Although Trujillo apparently is attempting primarily to convince the United States that any alternative to his control would be a pro-Castro government, he is believed capable of attempting an alignment of his regime with Castro or the Soviet bloc out of spite against the United States

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PART I (continued)

and against his domestic opposition, which is preponderantly anti-Castro. Moscow is likely to be cautious in responding to such overtures, especially in view of the unanimity of Latin American opinion against the Dominican Republic as expressed in the OAS. [redacted]

(b)(3)

REPUBLIC OF THE CONGO. Page 5

Following Congo Premier Lumumba's abrupt withdrawal of his more extreme charges against Secretary General Hammarskjold and the UN Command in the Congo, he has turned his attention to domestic security matters. Lumumba probably realized his growing isolation from other African nations and the USSR's unwillingness to extend all-out diplomatic support in the face of Afro-Asian opposition. Brussels' insistence that the final status of its bases should be bilaterally negotiated with the Congo Government may provide Lumumba with his next international issue. Lumumba, in moving troops to Kasai Province, may be mounting military moves against Katanga, even while he remains wary of his opposition in Leopoldville. [redacted]

(b)(3)

SITUATION IN LAOS Page 8

Premier-designate Souvanna Phouma and General Phoumi, leader of the countercoup forces, have reached a tentative agreement looking to a negotiated settlement of the crisis arising from Captain Kong Le's 9 August coup. The "agreement" could break down over any of a number of points. [redacted]

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PART II

NOTES AND COMMENTS

SINO-SOVIET RELATIONS. Page 1

Moscow has informed a number of bloc and nonbloc Communist parties of the gravity of the Sino-Soviet dispute and presumably its own local party cadres as well. Radio Moscow's blackout of news commentaries on Chinese affairs to the Soviet home audience continues for the sixth consecutive week. Despite the intensification of the dispute, some cultural exchanges between the two countries continue, however. Peiping in the past two weeks has muted its criticism of Soviet positions. Possibly in reaction to Western press reports that there has been a withdrawal of Soviet technicians from China as a result of Sino-Soviet differences, Izvestia on 20 August reported that a Soviet-equipped power plant in China has been completed and cited Soviet assistance to some 28 additional projects. [redacted]

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PART II (continued)

ASIAN COMMUNIST LEADERS VISIT MOSCOW Page 2

Two of Asia's top Communists--North Vietnam's President Ho Chi Minh and Mongolia's Premier Tsedenbal--have made unannounced trips to the Soviet Union within the past few weeks. The position of the Asian satellites in the Sino-Soviet dispute would be high on the agenda for discussions with Soviet leaders, who may find Ho Chi Minh making some effort at mediation. Ho's trip coincides with the crisis in Laos and he probably has talked about Communist strategy in Indochina. North Korea's Premier Kim Il-sung, who was recently absent from Pyongyang for six weeks, will have an opportunity to exchange views with Khrushchev when he plays host to the Soviet premier in early October.

[Redacted]

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EASTERN EUROPEAN ECONOMIES AT MIDYEAR Page 3

Midyear economic reports issued by the European satellites reveal that industry continues to perform well, but that problems in agriculture persist. Hungary and Poland have also encountered further difficulties with foreign trade. Living standards in the satellites improved slightly. There were numerous minor food shortages during the first part of the year, but in East Germany, poor distribution and the demoralization of recently collectivized farmers combined with unfavorable weather to produce shortages which continue to plague the regime.

[Redacted]

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SOVIET PLANS TO AVOID TECHNOLOGICAL UNEMPLOYMENT Page 5

Several recent statements by Soviet officials have discussed the problem of labor displaced by the introduction of new technology in Soviet industry. In addition to anticipating the need for redistributing labor as the automation program progresses, the statements seem intended to reassure workers that there will be no unemployment resulting from the wider use of new technology.

[Redacted]

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SOVIET PETROLEUM DELIVERIES TO CUBA Page 6

The Soviet Union is supplying sufficient petroleum to meet Cuba's normal requirements, although certain products--chiefly fuel oil and lubricants--are in short supply and refineries are operating at less than capacity. Soviet and Western tankers have made 42 voyages between the Black Sea and Cuban ports since April, delivering about 550,000 tons of petroleum. Deliveries are up sharply in August and will exceed 300,000 tons for the month.

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PART II (continued)

SITUATION IN MALI FEDERATION Page 7

The breakup of the Mali Federation arising from Senegal's secession on 20 August raises the possibility of serious disorders and a realignment of West African governments. The action confronts France and the UN with another question of whether to intervene to preserve the unity of a recently internationally recognized African state. [redacted]

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AFRICA AND THE COMMON MARKET Page 9

Ties between the Common Market (EEC) and the African territories formally associated with it in 1957 have been strained by the African independence movement, even though EEC association is advantageous economically to the emerging states. The EEC is attempting to retain these ties, and allocations for African projects from the EEC's \$581,250,000 Overseas Development Fund are continuing. However, many Africans are suspicious of the Common Market as a "colonial front," and before 1962, when the present association convention expires, the EEC itself will have to decide whether an attempt to continue the "Eurafrican experiment" on the present basis would be realistic.

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TURKEY Page 11

The "transitory" military regime in Turkey appears to be taking on an air of permanence, and the influence of the military ruling clique is spreading through the lower echelons of the government. Neutralist sentiments are making themselves felt both within and outside the government, and could lead to a review of Turkey's foreign policies. [redacted]

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INDIAN AND PAKISTANI LEADERS TO MEET Page 12

Nehru will visit Pakistan on 19 September to sign the long-delayed Indus waters treaty and hold talks with Pakistani President Ayub. Ayub is eager to make some progress toward a solution of the Kashmir problem, but feels it now is New Delhi's turn to make a conciliatory gesture. Nehru has indicated a willingness to "discuss" any matter that is raised, but apparently is still not ready to engage in substantive negotiations on either the Kashmir dispute or Ayub's joint defense proposals. Their meeting could, however, pave the way for general exploratory talks at a lower level to further the rapprochement both leaders desire. [redacted]

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PART II (continued)

NEW SOUTH KOREAN GOVERNMENT Page 13

The new South Korean cabinet of Prime Minister Chang Myon has been drawn largely from his immediate Democratic party supporters, who comprise less than half the party's two-thirds majority in the House of Representatives. His party opponents, having rejected his offer for a broadly based cabinet representative of all Democratic elements, appear bent on forcing the new government from power. Continued factional conflict between the politicians could undermine confidence in the post-revolution leadership.

[Redacted]

PEIPING SOFTENS ATTITUDE TOWARD INDONESIA Page 14

Peiping is following up its recent accommodation with Burma and Nepal on boundary questions with moves to calm its dispute with Djakarta over Indonesia's treatment of Overseas Chinese. Communist China has halted its hostile propaganda, and Chou En-lai has expressed the belief that the Overseas Chinese dispute can be resolved amicably.

[Redacted]

THE FINNISH POLITICAL SITUATION Page 15

The most important problems facing the Finnish parliament which reconvenes in mid-September are the questions of reconstituting the 20-month-old minority Agrarian government and the government's seeming unwillingness to associate Finland with the European Free Trade Association (EFTA). Decisions to proceed on these problems rest largely with President Kekkonen, who is hesitant to take any action which might risk Soviet displeasure. Official procrastination on the EFTA question has aroused increasing impatience among industry spokesmen as well as much of the press.

[Redacted]

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PART III

PATTERNS AND PERSPECTIVES

THE NUCLEAR TEST BAN TALKS Page 1

The nuclear test ban negotiations recessed on 22 August for five weeks without having resolved the principal outstanding issues: the number of inspections of sites where violations are suspected to have occurred, the duration of a temporary moratorium on small underground tests, the details of a research program to improve methods of detecting these tests, and the composition of the control commission and the various components of the control

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PART III (continued)

system. Although Moscow appears satisfied with prolonging the talks and thereby continuing the de facto test moratorium, which has existed nearly two years, its course of action in the immediate future will be largely dependent on the US decision whether or not to conduct unilateral research tests employing nuclear devices. Khrushchev was warned that the USSR would regard such a move as freeing it to resume nuclear weapons tests.

[Redacted]

STATUS OF SOVIET DOMESTIC TRANSPORT Page 6

Soviet domestic transportation has undergone steady expansion and modernization in recent years. Since 1950 the total annual ton-miles of freight handled by all modes of transport has more than doubled. The present transport system is still hampered, however, by low-quality service, uneconomical use of labor and equipment, and ineffective application of modern technology.

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PART IV

OTHER INTELLIGENCE ISSUANCES

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PART I**OF IMMEDIATE INTEREST****DEVELOPMENTS IN SOVIET FOREIGN RELATIONS**

Moscow's intention to keep alive the issues developed in the Powers trial was underscored by its prompt action on 20 August in requesting the UN General Assembly to consider a "threat to peace created by US aggressive acts." Gromyko's accompanying memorandum to the UN reviewed the Soviet version of the U-2 and RB-47 incidents and renewed charges against other countries which Moscow claims have been accomplices of the United States in these affairs. The memorandum also referred for the first time to the interrogation of the crew of the RB-47 and claimed they stated that their aircraft belonged to a unit which "carried out special tasks of the nature of military intelligence."

The memorandum and the propaganda exploitation of the trial suggest that Moscow will take some new diplomatic action along the lines of its original protests and warnings. Soviet propagandists have developed the idea that the trial should serve as a lesson to countries with American bases. The indictment and Powers' testimony involved Sweden, Finland, and for the first time, West Germany.

While Moscow has continued to highlight the theme that American policy was indicted and found guilty for its provocative and aggressive nature, a major purpose of the trial has been to establish the correctness and legitimacy of the Soviet legal proceedings. Moscow has taken pains to avoid any impression of a staged affair, and both

the Soviet press and radio have displayed sensitivity to any suggestion of pretrial conditioning. Soviet propaganda has relied heavily on quotes from nonbloc sources to substantiate claims of an objective trial and to refute the idea that Powers did not testify freely.

The objective of this effort has been to establish the reliability of Powers' testimony as a means of lending credibility to Soviet claims that the U-2 was brought down by a rocket at an altitude of 68,000 feet. As one Soviet commentator noted: "One can no longer minimize Soviet anti-aircraft defense."

Press reports quote the Soviet defense attorney as promising a quick reply from Khrushchev to the letter from Mrs. Powers asking for a chance to plead for clemency. The Western press also reports that the American attorneys accompanying Mrs. Powers have been invited to a meeting with Soviet officials to arrange a possible meeting with Soviet President Brezhnev. Although this opens the way for a grand gesture, Soviet propaganda has stressed that the sentence was "just and humane."

Prior to the trial the Soviet defense attorney appeared to be inviting a petition for clemency from the Powers family, with the implication that it might be favorably received. He explained privately that the matter would involve two stages, the first being the trial and sentence and the second a petition

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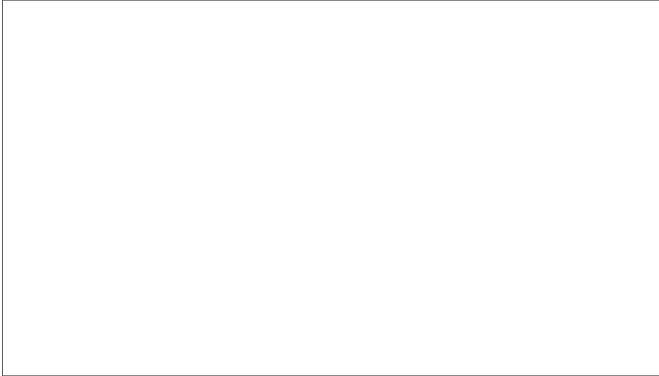
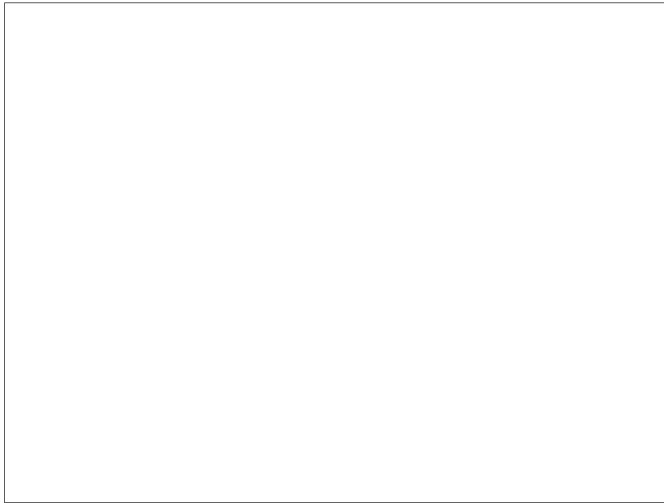
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to the Presidium of the Supreme Soviet.



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UN General Assembly

Moscow is likely to make a major propaganda effort in the UN General Assembly session that opens on 20 September. A usually reliable source said

Soviet reports and commentary on the proceedings of the UN Disarmament Commission stress that Moscow's proposal for the heads of government to attend the General Assembly was viewed favorably by commission members. An indication of new Soviet willingness to engage in rougher treatment of the West was reflected in a report of plans to adopt a "sharper and firmer" bloc attitude on the Algerian question in the UN.  (b)(3)

CUBAN DEVELOPMENTS

Cuban leaders have been vitriolic in their condemnation of the United States and its "lackeys" at the OAS foreign ministers' meetings in Costa Rica, but inside Cuba the proceedings of the eighth national congress of the Communists' Popular Socialist party (PSP) have vied with OAS developments in the press and other propaganda media.

The PSP congress, which opened on 16 August and ended on 22 August, featured the expected violent attacks on US "imperialism," almost unreserved praise for Fidel Castro and his conduct of the revolution, and

pleas for unity among the forces backing the Cuban revolution. PSP Secretary General Blas Roca, in a 12-hour report to the congress, stressed the "unity" theme in his call for the "coordination, cooperation, and fusion of all the conscious and radical Cuban revolutionary forces into a single revolutionary movement under the leadership of Fidel Castro."

In the report to the congress on the PSP program, it was emphasized that much remains to be done, including the "intervention" of remaining US property, ouster of the United States from the Guantanamo Naval

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Base, and completion of the remodeling of the government on the Communist pattern, eliminating separate judicial, administrative, and legislative branches.

The PSP congress was attended by at least 65 "fraternal" delegates from 31 Communist parties. Many Latin American parties were represented, as well as most Sino-Soviet bloc parties, who sent relatively high-level officials. The Soviet party, however, was apparently not represented by a central committee member and no mention has been made of a Soviet delegate. The French Communist party was represented by Jacques Duclos, second-ranking party leader, and the Italian party by a member of the party central committee.

Chinese Communist party central committee member General Wu Hsiu-chuan addressed the congress on 20 August, praising Cuba for giving Latin Americans a "brilliant example" in the struggle for "emancipation from US domination." Other speakers criticized Cuba's continued lack of diplomatic relations with Communist China.

On the domestic front, there are some signs of open, although still uncoordinated and sporadic, opposition to the regime. A thorough purge of the Cuban Navy is now apparently under way, following the reported discovery of a plot among naval personnel on 17 August. Although the government is maintaining tight secrecy on naval developments, there appears no doubt that the purge is eliminating the last

stronghold of moderate elements in the Cuban bureaucracy.

Anti-Castro guerrilla groups have stepped up their activity in the mountains and foothills of Las Villas and Camaguey provinces. Small guerrilla bands have attacked militia units and in some cases small army garrisons, seizing their weapons. The government's concern is evident in its efforts to eliminate the guerrilla bands.

The militia, which all Cubans are regularly being urged to join, now may have reached a total strength of 200,000. Castro addressed 2,000 newly graduated militiamen in Pinar del Rio Province on 21 August, declaring that a "people armed to the teeth" is Cuba's answer to "the intrigues and maneuvers of imperialism" against Cuba.

Church-state friction is rising, and church officials are convinced that the regime is inspiring and directing the frequent demonstrations against churchgoers. The wounding and arrest of a Jesuit priest by Cuban G-2 agents on 19 August may lead to new violence as news of the incident spreads.

Fidel Castro's remarks in a long speech before a meeting of Cuban women on 23 August probably forecast Cuba's position of support for the Soviet Union on all issues at the UN General Assembly session which opens on 20 September, including support for the admission of Communist China. He said, "The imperialists must know..."

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that Cuba will no longer vote in the UN at the bidding of their index finger. We shall be the friends of the USSR and of the Chinese People's Republic because they have proved to be our friends, while the imperi-

alists attack us and want to destroy us." Last year Cuba was the first Latin American nation to abstain on the issue of Chinese Communist representation in the UN.

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REACTION OF TRUJILLO REGIME TO OAS SANCTIONS

Generalissimo Rafael Trujillo has reacted with characteristic vindictiveness to the OAS foreign ministers' vote of 20 August to apply diplomatic and economic sanctions against his regime. His controlled press and radio are attacking the United States, which he blames for the OAS action. Some of this propaganda is clearly pro-Castro and pro-USSR.

There are also indications that Trujillo may be seriously considering an attempt to align his regime with the Soviet bloc out of spite. Moscow would probably respond to any Dominican overtures with caution, especially in view of the unanimous Latin American condemnation of the Trujillo regime. A leading Dominican dissident told the American Embassy on 22 August that the dictator's son, now in Europe, wants to visit Moscow, and a Dominican consul in Europe expects Trujillo to ally himself with Castro.

The Dominican radio El Caribe announced on 23 August that it is attempting to open negotiations for the services of TASS in order to help counter "imperialist interests opposing the Dominican people." El Caribe, which in recent weeks has broadcast pro-Castro and

and pro-Soviet propaganda, responded to the OAS decision by declaring, "We clearly see how futile it is for us to be anti-Communist." There is no indication, however, that this line is anything but an expression of Trujillo's own vindictiveness. The regime's leading station, La Voz Dominicana, which is also attacking the United States, continues to style the Dominican Republic as "the most anti-Communist country in America," and vows to continue its "noble struggle against Communism."

Although Trujillo appears to be attempting primarily to convince the United States that any alternative to his control would be a pro-Castro regime, he also seems determined that if he falls, he will have revenge on the United States by leaving a heritage of anti-US, pro-Castro strength in the country. His toleration of a small pro-Castro opposition party, which has been very active in recent weeks, suggests that he may expect that group to be the only functioning party in the country if he should be forced out. Middle-class professional groups, strongly anti-Castro, have borne the brunt of opposition to Trujillo but have been ruthlessly suppressed.

Elsewhere in Latin America, initial reaction to the OAS

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decision on the Trujillo regime has been to consider it a major triumph for the OAS. After the vote, a gathering of chiefs of diplomatic missions in Honduras lavished praise on the US and key Latin American delegates. Honduran President Villeda expressed general jubilation in commenting, "I was a boy again. I could hardly resist cheering before the radio."

The leftist as well as the Communist press--at least in Cuba, Venezuela, and Chile--saw the resolution as a victory not only over Trujillo but also over the United States.

Mexico and Chile responded immediately to the OAS resolu-

tion by breaking diplomatic relations with the Dominican Republic, although prior to the San Jose meeting both countries had been reported reluctant to follow such an OAS directive. Nicaragua, Panama, and Guatemala followed suit on 23 August. Prior to the meeting, nine Latin American countries--Venezuela, Cuba, Colombia, Ecuador, Peru, Bolivia, Honduras, Uruguay, and Costa Rica--did not maintain normal relations with the Trujillo regime. Other Latin American governments may be waiting until the OAS notification of its call for sanctions is presented at the United Nations.

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REPUBLIC OF THE CONGO

Congo Premier Lumumba's abrupt withdrawal of his more extreme charges against Secretary General Hammarskjold and the UN Command in the Congo has forestalled an international crisis for the time being. Lumumba had threatened to demand complete withdrawal of the UN force.

Lumumba's about-face followed a Security Council discussion in which the majority voiced support for Hammarskjold's policy of noninterference in the Katanga dispute. His action probably stemmed from realization of his government's growing isolation from other African nations. The USSR withdrew an anti-Hammarskjold resolution at the 21 August session when it failed to gain Asian-African

support. Soviet officials who are working closely with the Congo Government will probably encourage Lumumba in further anti-UN and anti-Western moves which might receive African backing.

The USSR had strongly supported Lumumba immediately prior to the 21 August UN Security Council meeting. In the forth official Soviet statement, issued on 20 August, Moscow congratulated the Congolese on their success so far, and again went on record with its standard ambiguous warning that "peace-loving countries" would have to take "other steps" if Belgian forces were not withdrawn and alleged plans to "dismember" the Congo were not abandoned.

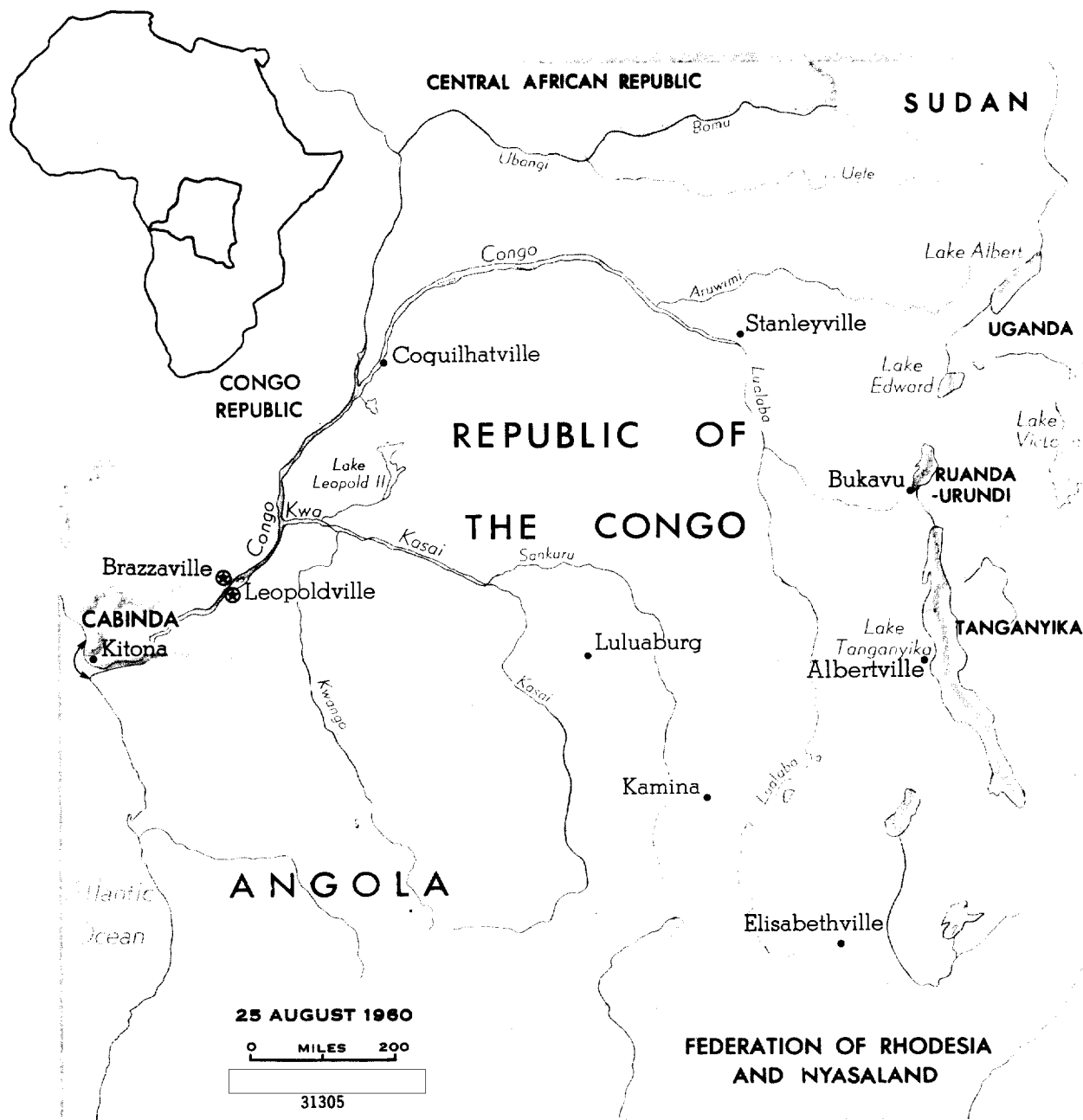
The statement contained Moscow's first reference to

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"volunteers," a "flood" of which could come from among "loyal friends" on other continents as well as from African countries if additional NATO units are sent to the Congo. The Congo on 23 August rejected Soviet military help, however, stating it does not need such volunteers from foreign countries. The USSR's belated reference to the possibility of volunteers is reminiscent of its similar threat during

the Suez crisis--issued four days after the Anglo-French cease-fire was announced.

Soviet delegate Kuznetsov on 20 August officially demanded the withdrawal of Canadian troops from the Congo, and delivered a statement to Hammarskjold protesting as "completely inadmissible" his plan for a civilian UN administration to give technical and administrative assistance to the Congo Government.

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Moscow, alleging that the US and its allies would occupy posts which have a "key significance" for the economy and all vital activities of the country, objected to the exclusion of Eastern European experts from among the 65 envisaged in the plan and to the alleged relegation of African personnel to "second-rate posts," and charged such a plan would subordinate the future development of the Congo to American interests and could become a "dangerous precedent."

Despite his setback in the UN, Lumumba probably will return to the offensive. Although Brussels has announced that its remaining troops in the Congo will be withdrawn by 30 August, the Belgians reportedly plan to leave behind a token force of "technicians." Brussels' insistence that the final status of its bases should be the subject of bilateral negotiations with the Congo Government may provide Lumumba with his next issue.

Meanwhile, Lumumba probably hopes to develop a Congolese Army, both as an internal security force and as a means by which to force his way into Katanga. On 23 and 24 August he airlifted between 600 and 1,000 Congolese soldiers to Kasai Province, ostensibly to curb the tribal warfare which once again has flared between the Lulua and Baluba tribes. Lumumba probably hopes, however, that by establishing a presence in Kasai he can prevent the establishment by anti-Lumumba Congolese of a separate province in southern Kasai. There is also a possibility that this is the opening move for military action against Katanga.

Lumumba's most recent step to restore the once-effective Force Publique has been to appoint Moroccan General Kettani, deputy commander of the UN Command, as his "adviser" in organizing an army. Kettani appears to have been made available by Hammarskjold as a means of bringing the UN Command and the Congolese Army into closer coordination. There are press reports that the over-all UN force commander, General von Horn, may be replaced by a Finnish officer, General A.E. Martola, who played an important role in organizing the UNEF during the Suez crisis.

Lumumba continues to manifest uneasiness in his handling of internal affairs. A meeting in Elisabethville of anti-Lumumba Congolese from several provinces was followed by new arrests of Belgian "spies" in Leopoldville and by the closing down of ferry service between Leopoldville and Brazzaville. Lumumba's fears of collusion between Tshombé and President Youlou of the former French Congo were intensified when a Belgian airliner which made a forced landing at Lulua-bourg on 21 August was found to be carrying Abako officials from Brazzaville to Tshombé's council of war in Elisabethville.

Opposition to Lumumba in the Leopoldville area remains sporadic and ill defined. The Congo Senate continues to be a focal point for criticism of the regime, but in a governmental crisis it would probably be closed down by Lumumba. The secessionist Abako has resumed its criticism of Lumumba, but appears hamstrung by the continued support of Lumumba by Abako and Congo President Joseph Kasavubu.

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A Canadian engineer in Leopoldville has indicated to the American Embassy his concern over the presence of an estimated 60 Soviet and satellite technical personnel in Leopoldville, which would probably include doctors, medical technicians, and aircrew members. The number of such personnel increased following

the arrival at Matadi on 22 August of the Soviet vessel Arkhangelsk with 100 trucks and an undisclosed number of technicians aboard. According to a Congolese official, Lumumba is expected to ask for and receive in the immediate future Czech teachers for Congolese schools

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SITUATION IN LAOS

Laotian Premier-designate Souvanna Phouma and General Phoumi, leaders of the countercoup forces, met in Savannakhet on 23 August and reached a tentative agreement looking toward a negotiated settlement of the crisis set off by Captain Kong Le's take-over of Vientiane on 9 August. Souvanna's exposition of the agreement indicates that the prime immediate objectives of both sides are to bring units in the Vientiane area back under the control of senior commanders and to insulate the capital against any military pressure by the Communist Pathet Lao insurgents.

General Ouane, recently reinstalled as armed forces commander, is handling the arrangements for securing the capital, including the collection of arms distributed by Kong Le to civilian partisans and possibly to the Pathet Lao in anticipation last week of an attack by the Phoumi forces. Kong Le's Second Parachute Battalion is said to be collecting these arms, after which it is supposed to return to its barracks about ten miles outside Vientiane. Meanwhile, Phoumi will retain elements of his forces at Paksane, about 100 miles east of Vientiane, pending notification from Ouane that the agreed-on security arrangements have been completed.

Souvanna expects this phase of the agreement to be carried out by the week end, but he may be oversanguine in this as in other aspects of the situation. Although Souvanna claims that arrangements for the securing of Vientiane have the full approval of Kong Le, there is no confirmation from Kong Le himself. One report from an untested Laotian Army source in fact states that Kong Le has refused to collect the arms he distributed until Phoumi's forces return to their home bases. While this may not be true, it is by no means certain that Kong Le has been convinced he can relax his grip on Vientiane without jeopardizing his personal safety, his career, and the announced aims of his coup--the establishment of a strictly neutralist government and negotiations with Pathet Lao.

Once the military situation is stabilized, the National Assembly will be called on to arbitrate the differences between the two groups. Both Souvanna and Phoumi apparently agreed that neither of their groups was the legal government of Laos. These deliberations will take place in Vientiane if the King decides to come there or in Luang Prabang if he does not. Souvanna expects a "national union" government, excluding the Pathet Lao, to emerge.

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The Souvanna-Phoumi accord came amid rising tension in Vientiane caused by overdrawn reports that Phoumi's forces were converging on the capital. Kong Le had begun establishing a defense perimeter around the capital and had passed an undisclosed number of arms to civilians and irregular military elements recruited to participate in defense of the town. There were also indications that he planned to incorporate Pathet Lao elements in his defense plans and that he provided new arms to unspecified Pathet Lao units.

Souvanna, Ouane, and perhaps even Kong Le himself may have deliberately overstated the degree of prospective Pathet Lao involvement in their defense plans in order to incline Phoumi to-

ward a settlement. However, if the situation had been permitted to drift much longer, or if the present efforts to resolve the crisis fall through, Pathet Lao involvement might be unavoidable.

In Savannakhet, Phoumi had been making substantial progress, prior to his meeting with Souvanna, toward developing a rival government which could plausibly claim to enjoy the support of much of the country outside Vientiane. Enough National Assembly deputies have left Vientiane to put into serious question

Although he is not sure he will be the premier, he is prepared to recommend to the new government that it offer to reintegrate the Pathet Lao into the national community, provided its members lay down their arms. He claims Phoumi has agreed to this tactic, which Souvanna believes will place the onus on the Pathet Lao for any continuation of the civil war. Souvanna presumably thinks he can induce the Communists to stop fighting without further concessions, a supposition which is in all probability unfounded.

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the ability of the main body to have a quorum at the capital. Phoumi also received an important boost when Prince Boun Oum, inspector general of the kingdom and a former pretender to the Laotian throne, joined him in Savannakhet.

Phoumi had also been gradually getting his forces organized for his planned encirclement of Vientiane. However, reports that the road from Pak-sane to Vientiane was impassable because of heavy rains, his lack of air transport, and indications that Kong Le was establishing what might be a formidable de-

fense perimeter around Vientiane probably combined to incline him toward a compromise with Souvanna.

Implementation of the Souvanna-Phoumi accord will be difficult and could break down over any of a number of points. Aside from Kong Le's necessary cooperation, the agreement may founder over varying interpretations of its details and methods of implementation, even though Phoumi has corroborated the broad outlines of Souvanna's version of the agreement and appears to be working to carry out its provisions. (b)(3)

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PART II**NOTES AND COMMENTS****SINO-SOVIET RELATIONS**

Moscow has informed a number of satellite and nonbloc Communist parties, and presumably its own local party cadres as well, of the gravity of the dispute with Communist China about both domestic and foreign policies.

Moscow radio continues its blackout of commentaries on Chinese affairs to the Soviet home audience for the sixth consecutive week. Moscow continues to broadcast short news items on events in China, however.

Possibly in reaction to Western press reports that there has been a withdrawal of Soviet technicians from China as a result of Sino-Soviet differences, Izvestia on 20 August reported that a Soviet-equipped power plant in China has been completed and cited Soviet assistance to some 28 additional projects. Reports of a large-scale exodus of Soviet technicians from China remain unconfirmed.

Since the conclusion of China's First Five-Year Plan in 1957, the number of Soviet advisers in China has declined, and Peiping has appeared eager to operate independently of outside aid in technical fields. According to foreign diplomats in Peiping, Chinese Communist officials have stated in response to queries about departures of Soviet personnel that their services were no longer necessary and have implied that Chinese national pride is involved.

The announcement on 23 August that Molotov is being transferred as ambassador to Mongolia to become the USSR's representative at the International Atomic Energy Agency in Vienna appears to be related to other recent Soviet moves in the Sino-Soviet dispute. Molotov is not believed to have been personally involved in the dispute or to have given support and encouragement to the Chinese leaders. It seems likely that Moscow is again using Molotov, long identified with foreign policy views

These developments suggest that the Soviet hierarchy, in addition to bringing further pressure on Peiping through the international Communist movement, is taking steps prior to the projected November meeting of Communist representatives in Moscow to offset the impact of a possible open party split with Peiping.

The US Embassy in Moscow has reported rumors that during the discussion of the Sino-Soviet question at the July plenum, Suslov said that in the future the Soviet Union and Communist China would have only governmental relations and not party-to-party relations.

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close to those of the Chinese, as a symbol in the contest with Peiping. His removal from Ulan Bator, a post that has become more sensitive with the growing Sino-Soviet tensions, probably is tended as a further sign of Moscow's determination to defend its ideological and political primacy in the Communist world against Peiping's challenge.

Despite the intensification of the dispute between Peiping and Moscow, cultural exchanges between the two leading Communist powers are apparently con-

tinuing. On 14 August a Soviet dance troupe--the fourth such group from the USSR this year--arrived in Peiping. In welcoming the dancers to China, the Chinese minister of culture on 19 August cited the "indestructible" unity between Peiping and Moscow. The meeting in Tashkent on 21 August between Chinese Vice Premier Chen Yi, then en route to Kabul, and Soviet Deputy Foreign Minister Pushkin--which protocol would normally have de- (b)(3) manded in any case--may have been largely concerned with Afghan problems.

ASIAN COMMUNIST LEADERS VISIT MOSCOW

Two of Asia's top Communists have made unannounced trips to the Soviet Union within the past few weeks. Both North Vietnam's President Ho Chi Minh and Mongolia's Premier Tsedenbal probably are deeply concerned about the effects of the Sino-Soviet feud and may have discussed this subject and other Far Eastern issues with Soviet leaders.

offending either side. While this strategy seems predicated on North Vietnam's status as a "poor relation," there may be some feeling in Hanoi that an uncommitted Ho Chi Minh could work with both Soviet and Chinese leaders in an effort to cool tempers.

A recent central committee communiqué pledged the North



HO CHI MINH



KIM IL SUNG



TSEDENBAL

Ho Chi Minh appeared in Moscow on 15 August. His regime normally has shown some affinity for Peiping's views, but, since the Bucharest conference in late June, has moved toward neutral ground in what appears to be an effort to avoid

Vietnamese party to work for bloc solidarity. It is unlikely that anyone either in Peiping or Moscow asked Ho to act as mediator, but as an Asian Communist with long experience in the European movement, he may have set himself this task.

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In any event, it is unlikely that Ho went to Moscow solely to talk about Laos, although this subject and general bloc strategy in Indochina naturally would arise. Ho presumably would want to be back in North Vietnam for the celebration of "national day" on 2 September and the party congress which convenes on 5 September.

Tsedenbal was received at the Kremlin on 29 July. Of the three Asian satellites, Mongolia has been Moscow's most consistent echo throughout the Sino-Soviet dispute. There is no evidence of Chinese pressure on Tsedenbal, yet he must regret the necessity for choosing sides between two large neighbors, each of which provides Mongolia with essential economic aid. Having faced severe party factionalism before, Tsedenbal also may be concerned lest continued Moscow-Peiping dissension provide the pretext for a struggle within the Mongolian party.

Tsedenbal does not have Ho Chi Minh's personal prestige,

however, and it is unlikely that he has any aspiration to serve as a mediator. In discussions with Soviet leaders, Tsedenbal might suggest a greater effort to re-establish Sino-Soviet rapport, but he probably would be most interested in assessing the depth of antagonism between the bloc's two major powers and its future effect on Mongolia.

North Korea's Premier Kim Il-sung reappeared in Pyongyang in early August after an unexplained six-week absence. There is no evidence that Kim had been to Moscow. Sino-Soviet matters are sure to be a topic for discussion when Khrushchev visits North Korea in early October. Pyongyang has vacillated during most of the year-long Peiping-Moscow disagreement over tactics to be used against the West, although its sympathy most often seems to have been with the Chinese. Since the Bucharest meeting, however, the North Koreans progressively have adopted a more orthodox position, parroting most of the major elements of the Soviet line. (b)(3)

EASTERN EUROPEAN ECONOMIES AT MIDYEAR

In the first half of 1960, industry in the European satellites continued to perform well, but problems in agriculture persisted. Hungary and Poland have encountered further difficulties with foreign trade, and living standards, nowhere markedly improved, have stagnated in Poland. Food shortages were frequent but generally minor except in East Germany. There, poor distribution and the demoralization

of recently collectivized farmers combined with unfavorable weather to produce shortages which continue to plague the regime. East Germany has had to increase food imports, and several other satellites probably will have to do so before the end of the year.

Poland, Czechoslovakia, Hungary, and Bulgaria have announced industrial growth rates

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of from 9 to 15 percent, which exceed plan goals, although the Bulgarian rate was considerably below the previous year's. A 10-percent rise in industrial output in East Germany was smaller than that recorded in 1959, but may be larger than had been planned. The machine-building, chemical, and electric power industries registered the largest gains in most countries.

As in 1959, the three northern satellites showed the most impressive gains in labor productivity, and Poland even reduced industrial employment slightly. Bulgaria, on the other hand, failed to better its

its construction plan, and several other satellites failed to meet schedules for certain projects, including some important industrial ones.

Although midyear announcements attempt to give an impression of important progress in agriculture, there will be little change this year from the 1959 level of production for the area as a whole. Unfavorable weather and the continued drive to socialize agriculture in several satellites are contributing factors to the lack of improvement.

Smaller grain harvests are in prospect for Poland, Hungary, and Czechoslovakia, but increased production in Bulgaria, Rumania, and possibly East Germany may prevent total satellite grain production from dropping much below the 1959 level, which was above the 1955-59 average. In East Germany and Hungary, the procurement and supply systems were disrupted by the effects of last winter's collectivization. The reorganization of wholesale trade also caused difficulties in East Germany. Less severe disorganization of supply and procurement channels has occurred in Czechoslovakia, Poland, and possibly Bulgaria.

poor 1959 record in labor productivity; the number of industrial workers increased almost as fast as production. In all satellites, the quality and assortment of industrial goods remained poor.

The investment drive of 1959 slowed somewhat during the first six months of 1960, except in Czechoslovakia. Bulgaria, as usual, did not meet

Some gain in consumer welfare during the first half of 1960 is suggested for most satellites by announced retail trade figures. In Poland, however, growing emphasis on investment permitted no improvement in living conditions. In at least four satellites--Bulgaria, Czechoslovakia, East Germany, and

EASTERN EUROPE: ANNOUNCED PERCENTAGE INCREASES IN SELECTED ECONOMIC SECTORS

FIRST SIX MONTHS OF 1960 OVER FIRST HALF 1959

| | BULGARIA | CZECHO-SLOVAKIA | EAST GERMANY | HUNGARY | POLAND |
|-----------------------|----------|-----------------|--------------|---------|--------|
| INDUSTRIAL PRODUCTION | 15 | 12 | 10 | 15 | 9 |
| RETAIL TRADE TURNOVER | 11 | 7 | 8 | 14 | 0 |
| EXPORTS | NA | 14 | NA | 14 | 9 |
| IMPORTS | NA | 22 | NA | 33 | 12 |

00823 3

(RUMANIA RELEASED NO SIX-MONTH REPORT)

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Poland--a portion of the industrial labor force is having to meet higher work norms. Morale was also adversely affected in East Germany and Hungary by the intemperate collectivization policies.

Foreign trade turnover in the satellites continued to expand rapidly, but the rate of growth for 1960 as a whole prob-

ably will not reach that of last year. Imports increased more rapidly than exports in Czechoslovakia and Poland and twice as fast as exports in Hungary. Poland and Hungary will incur still larger trade deficits this year than last, unless these trends are reversed during the remainder of the year. (b)(3)

SOVIET PLANS TO AVOID TECHNOLOGICAL UNEMPLOYMENT

Several recent statements by Soviet officials have discussed the problem of labor displaced by the introduction of new technology in Soviet industry. In addition to anticipating the need for redistributing labor as the automation program progresses and the present labor shortage is alleviated, the statements seem intended to reassure workers that there will be no unemployment resulting from the wider use of new technology.

At a Soviet party central committee plenum in July, Trade Union Chief V. V. Grishin called on Gosplan and other agencies to work out measures for improving the use of labor resources as progress is made in the application of new tech-

nology. A Soviet economist writing in the journal Novy Mir recently noted that some Soviet factories did not know what to do with surplus workers, and G. Zelenko, head of Soviet vocational education, called for a program for the retraining of such workers.

During the present relatively short supply of labor--a result of the low birth rates during World War II--any workers displaced by new technology will be needed in other areas of the economy. This situation will prevail for the next several years. There may be isolated instances of immobility and temporary labor surpluses, but existing means for encouraging workers to go where they are needed will probably continue

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to prove adequate, and, as in the past, workers will be placed in new jobs in a relatively short period of time.

Among the means available for doing this are the legal requirement that a Soviet manager seek employment elsewhere for workers he intends to lay off, the payment of transport and other costs for workers moving to remote areas, and the system of organized recruitment and resettlement--ORGNABOR-- which since 1931 has been recruiting workers, including demobilized servicemen, and arranging for their employment on a long-term contract basis.

Although no major technological unemployment is expected in the next few years, the situation will begin to change by 1964 as the effect of wartime birth rates passes and the impact of the automation and mechanization programs is more fully felt. The gradual reduction to a 35-hour workweek, scheduled for 1964-68, will help. In addition, other measures, such as earlier retirement and increasing educational requirements for young people, may be taken. The large gains which are possible through a major improvement in technology will outweigh the rel-

(b)(3)

atively small costs of transferring workers and otherwise adjusting the growth of the labor force.

The problem of surplus labor on the farms was discussed recently by Soviet Academician S. Strumilin, who pointed out that 12,000,000 farm workers could be transferred to other employment by 1965 if output and productivity goals are met. These are unrealistic assumptions, however, as both output and productivity are expected to be well below plan. Although the use of employed persons in an inefficient manner exists in the agricultural areas to a much greater extent than it does in urban areas, and will become more important as productivity improves, it will not reach by 1965 the proportions ascribed to it by Strumilin.

The construction of new enterprises in rural areas and the use of redundant agricultural labor--on a full- or part-time basis--in nearby plants is a possible solution, and workers (b)(3) from various collective farms are already being used on an intermittent basis to build roads, construct irrigation canals, and work in local industry.

SOVIET PETROLEUM DELIVERIES TO CUBA

The Soviet Union is supplying Cuba with sufficient petroleum to meet Havana's normal requirements. Although certain products--chiefly fuel oil and lubricants--are in short supply and the refineries are operating at less than capacity, there is no sign of an imminent petroleum crisis.

From April to 25 August, 36 Soviet and Western tankers have made 42 voyages between the Black Sea and Cuban ports,

delivering about 550,000 tons of petroleum. Cuba's imports of petroleum prior to the seizure of the three Western refineries in July ranged between 3,000,000 and 3,600,000 tons a year, most of it crude oil. As the refineries exported limited amounts of petroleum products, a rate of 3,000,000 tons annually probably is sufficient to fill present demands.

Soviet POL deliveries are up sharply in August and will

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exceed 300,000 tons--an annual rate in excess of Cuba's minimum needs. In July a total of 165,000 tons was delivered as Moscow sought to adjust to its new Cuban commitments. Precautionary measures taken in Cuba since the seizure of the three refineries apparently have been successful in averting all but temporary, local petroleum shortages.

There are, however, shortages of lubricants and of catalysts used in the refining process, and fuel oil has not been delivered or produced in sufficient quantities to meet the demand fully. Cuba may be able to procure these products elsewhere; if not, it can and presumably will be supplied by the Soviet Union. The supply of spare parts for the refineries could become a major problem.

Some difficulties are arising in Cuba from the shift to Soviet petroleum. The embassy has been reliably informed that the country's principal iron and steel company is having great difficulties in attempting to operate with Soviet fuel oil. Its high sulfur content makes it difficult to obtain a good surface quality in rolled steel ingots. The company has had to shut down pending an attempt to get fuel oil from Mexico and Venezuela.

Of the 36 tankers which have made one or more calls at

Cuban ports, 27 have been Soviet-flag vessels, five British, two Greek, one Danish, and one Norwegian. Tankers now en route include Italian, Dutch, British, and Norwegian, as well as Soviet vessels. In addition, three Polish tankers have been pulled from their normal runs in European waters to be used in the Cuban trade.

There is no indication that these shipping adjustments have disrupted Soviet deliveries to other areas. The USSR's employment of modern Western tankers capable of carrying up to 25,000 tons has been a significant factor in easing the Soviet burden, both on the Cuban run and to other destinations. Some Western tanker owners refused to transport Soviet oil following the Cuban confiscation of the refineries, but the attraction of Soviet charters in the depressed tanker market has overcome much of this reluctance.

There is still no firm figure for the total amount of petroleum the USSR will deliver to Cuba this year, but it probably will reach 1,500,000 tons and provide for nearly all Havana's oil imports since July. The Cuban situation has proved Moscow's ability to adjust quickly to unforeseen circumstances, but two such crises at the same time could cause considerable difficulty. (b)(3)

(b)(3)

SITUATION IN MALI FEDERATION

The breakup of the Mali Federation, arising from Senegal's secession on 20 August, raises the possibility of serious disorders and a realignment of West African governments. The action also confronts France and the UN with serious new problems.

The decision of Senegal to withdraw from the two-nation federation followed a period of growing tension between Senegalese and Soudanese leaders because of differences over allo-

cation of top administrative posts and control of foreign policy, as well as basic differences in cultural and historic tradition.

Since the founding of the federation in January 1959, when both components were autonomous republics, the aggressive and nationalistic Soudanese under Modibo Keita--premier of Soudan and president of the Mali Council of Ministers--have increased their influence at the expense of the Senegalese. Soudan

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cause, but opposition extremist groups in the Casamance area of southern Senegal may cause trouble. In addition, Soudanese leaders in mid-August [redacted] alerted (b)(3) Soudanese residents in Senegal--at St. Louis, Thies, Diourbel, and Fatick--to prepare for possible political action.

In Soudan, Keita and his fellow countrymen in the Mali Government received heros' welcomes on

(b)(3) appeared on the way to controlling the political fortunes of Mali despite Soudanese dependence on Senegal's economic resources, which include the modern port of Dakar and Senegal's greater number of trained personnel.

The Senegalese leaders--Premier Mamadou Dia and Leopold Senghor, president of the Mali Assembly--apparently had decided by 12 August to secede at an early date. They had thought to postpone the final break for a few weeks, but were stimulated to action by Modibo Keita's declaration of a state of emergency on 19 August and his order to the Soudanese chief of Mali's army staff to deploy his troops.

The secessionists seem firmly established at Dakar, with general popular backing and control of the local security forces. They are revamping their government institutions to serve an independent state and are seeking foreign recognition. Most Senegalese leaders have rallied to the

their arrival from Dakar. Soudanese official and radio comment has been bitter about Senegal's action. There is no evidence of any willingness to accept secession as a fact. Keita has little military strength to use against Senegal, however, because the overwhelming majority of Mali's forces--5,000 troops and 2,000 gendarmes--are Senegalese, and the 7,000 French Community troops in Dakar have maintained strict neutrality.

In reply to Keita's call for France to use Mali security forces to "protect the integrity" of Mali territory, Paris declared on 23 August that the Community army in the territory has remained neutral and that the Senegalese and Soudanese gendarmerie "receive orders only from the governments to which they are detailed."

The breakup of the federation is a blow to the French Community and confronts President de Gaulle with a problem of great delicacy. De Gaulle has offered his good offices to

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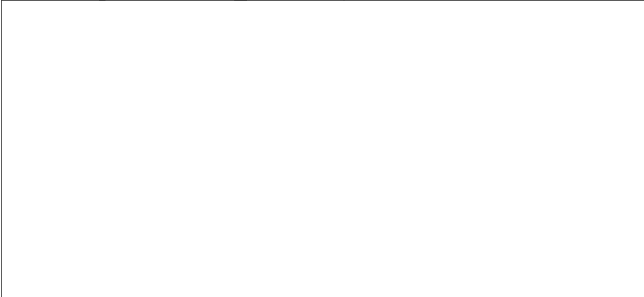
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resolve the crisis, but his statement concerning possible new relationships between Senegal, Soudan, and the Community has been sharply attacked by Keita, who claims France is implicitly backing Senegal and recognizing the announced secession as a fait accompli. The Sudanese claim secession is legally impossible under the Mali constitution. Premier Dia of Senegal has presented his interpretation of the situation to De Gaulle; Keita has indicated he will probably visit Paris in the near future.

French sympathies lie with the more pro-French Senegalese. In addition, Paris regards the Dakar naval base as vital for the protection of its African interests.

The French probably were aware of the impending crisis early in August.



Soviet and Eastern European commentaries have attacked

Paris for backing a "Senegalese puppet" and claimed the situation resembles Belgium's action in backing Katanga in the Congo crisis. The African states oppose the partition, and Emperor Haile Selassie of Ethiopia has mildly criticized Senegal's attack on African unity. No nation has accorded Senegal diplomatic recognition.

The United Nations may become involved, because Senegal immediately asked for admission as a separate country, while Keita has asked for a meeting of the Security Council and the dispatch of UN troops. Without such military or diplomatic aid, Keita has little chance of forcing Senegal's compliance.

The breakup of the federation may strengthen the prestige of Guinean President Touré, as landlocked and poverty-ridden Soudan may be forced into a close relationship with Guinea. In past years, the nationalist movement of Soudan had close ties with that in Guinea.



AFRICA AND THE COMMON MARKET

African nationalism is raising problems not only for the colonial powers individually but also for the European Economic Community (EEC or Common Market), with which a sizable part of Africa was more or less happily associated in 1957. Since that time most of the

colonies have attained varying degrees of independence or self-government, giving rise to a host of political, financial, and legal issues in the EEC. In 1962, moreover, the present association convention expires, and the six Common Market countries will have to decide whether

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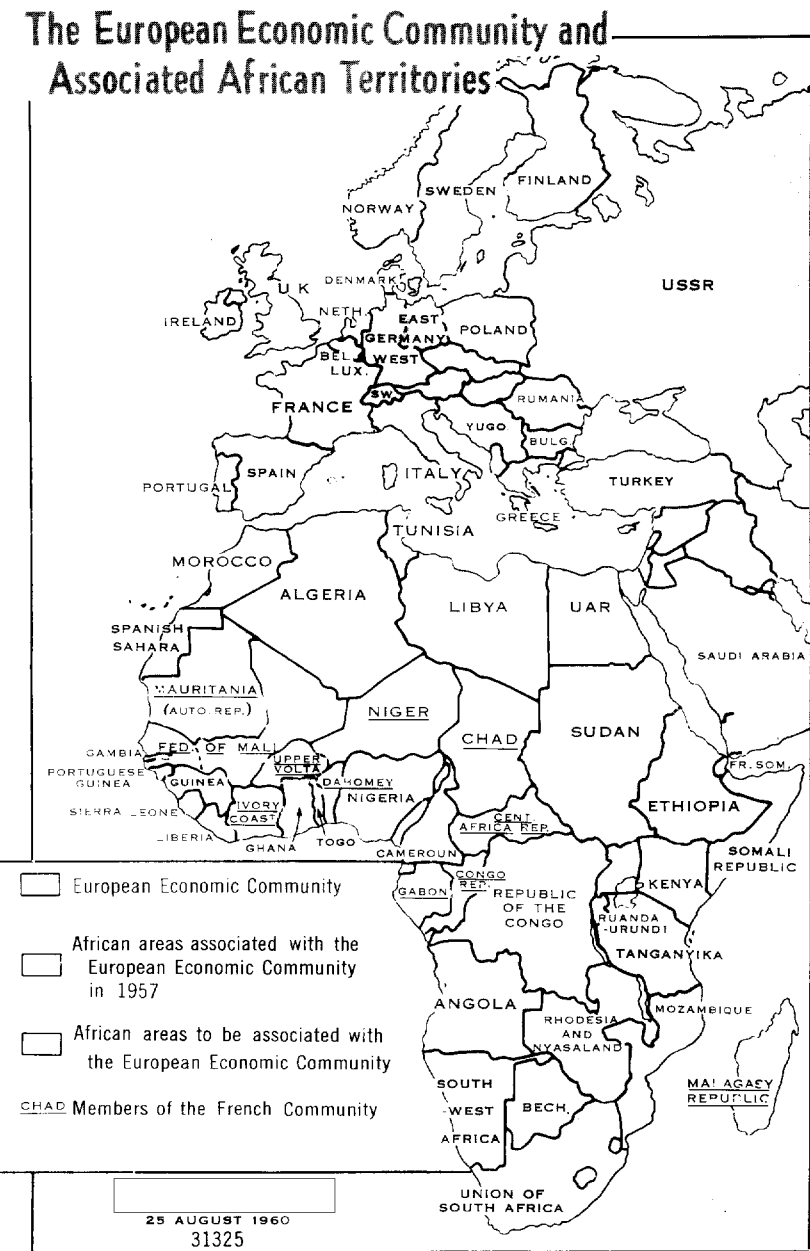
an attempt to continue the "Euro-african experiment" on the present basis would be realistic.

Preservation of the present African-Community ties is due in large part to the zeal of such EEC officials as President Hallstein and to the fact that continued association is economically advantageous to

ment Fund. Although slow in beginning operations, the fund--maintained by members' annual contributions--is expected to have allocated \$140,000,000 by the end of this year, mostly for social and economic development projects in Africa.

These operations are continuing despite legal technicalities and African suspicions that the EEC is a "colonial front," a view reinforced by efforts of the colonial powers to retain an "intermediary" role. The EEC apparently intends, for example, to overlook the technicality that the new Somali Republic, which desires to retain its association, is not coextensive with the area of the former Italian trust territory which was linked to the EEC. Some of the associated territories are to be allowed to establish informal diplomatic representation with the EEC, rather than be represented by the former administrative power.

Community officials responsible for promoting these arrangements believe the EEC offers the only long-run hope of Europe's retaining a foothold in Africa. It is apparent, however, that they have a major "selling job" to do. Establishment



the emerging states. The principal advantages for these states are preferential access to the Community's expanding market for tropical products and raw materials and access to the EEC's \$581,250,000 Overseas Develop-

of the Overseas Development Fund, for example, was a major concession to Paris to secure French ratification of the Common Market treaty. Even if such countries as West Germany and the Netherlands are prepared to make

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larger contributions to African developmental assistance, they may prefer to contribute in the future either directly or through some broader free world grouping, such as the projected Organization for Economic Cooperation and Development.

The Dutch recently have been critical of the EEC's en-

tire concept of associated territories, believing that, by giving preferential treatment to the former colonies of the EEC countries and excluding the colonies of Britain and others, the EEC is aggravating the economic problems and disunity of Africa.

(b)(3)

(b)(3)

TURKEY

The three-month-old military regime headed by General Gursel and 37 other officers appears to be assuming an air of permanence. The government has announced a program of sweeping civil and military reforms, and the formal establishment of "revolutionary courts" appears designed primarily to discourage opposition to and criticism of the regime. According to the American Embassy, some members of the ruling National Unity Committee (NUC) are coming increasingly to regard themselves as the initiators of a "new era" in Turkish history.

The NUC remains uncommitted concerning the date on which national elections will be held, although some members, including Gursel, have suggested 27 May 1961--the first anniversary of the coup. In recent weeks, however, some members of the NUC have given the impression that they regard themselves as less transitory than during the early days of the coup regime.

Moreover, the spread of military influence in the government and politics suggests that the revolutionary regime may perpetuate itself regardless of elections, although it will face growing opposition unless elections are held by next spring.

The regime's general feeling of security is illustrated by the reported return of all army units to normal duties, although scattered checkpoints are still maintained.

The compulsory retirement of senior military officers is proceeding, and estimates of the total number to be included continue to rise. In accordance with NUC "recommendations," virtually all colonels, lieutenant colonels, and their naval counterparts submitted retirement requests, most of which were accepted. About 30 percent of the majors will probably be removed in September. Widespread personnel changes in the civil government, including a major cabinet shuffle, will probably take place in the near

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future, and many of the vacated positions filled by retired officers.

In foreign policy, a clear drift toward neutralism has not yet been identified, but there are suggestions that some members of the government favor a more independent policy. Despite official reaffirmation of Turkey's Western ties, the American Embassy has concluded that recent informal foreign policy discussions inside the ruling group could lead to a serious review of Turkey's foreign policy. There are also reports of substantial economic aid offers from the USSR and rumors that the provisional government will soon ask the United

States to reduce the number of its military personnel in Turkey.

Influential elements outside government may also be re-assessing Turkey's relationship with the West. Some Republican Peoples' party (RPP) officials in Istanbul [redacted] are of the opinion that the United States is gradually losing prestige in the world while the USSR is gaining. They allegedly feel that the new Turkish Government should seek a position of neutrality similar to that of the UAR "by leaning more toward the Russians and less toward the Americans." [redacted]

(b)(3)

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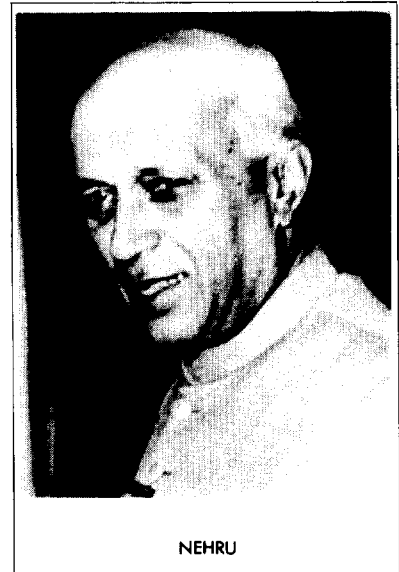
INDIAN AND PAKISTANI LEADERS TO MEET

The recent improvement in relations between India and Pakistan has been given new impetus with the announcement that Prime Minister Nehru will visit Pakistan on 19 September to sign the long-delayed treaty on the division of waters in the Indus River Basin and hold talks with Pakistani President Ayub. Compromise on the most important points still disputed after years of negotiation was reached recently as a result of efforts by officials of the International Bank. While quibbling over remaining details could cause further delay, both sides now seem determined to resolve this major dispute and speed development programs in the region.

Ayub announced on 17 August that Nehru would meet him in Karachi to sign the treaty



AYUB



NEHRU

and then accompany him to a northern hill resort for several days of private talks. The Pakistani leader has reiterated his hope that all questions

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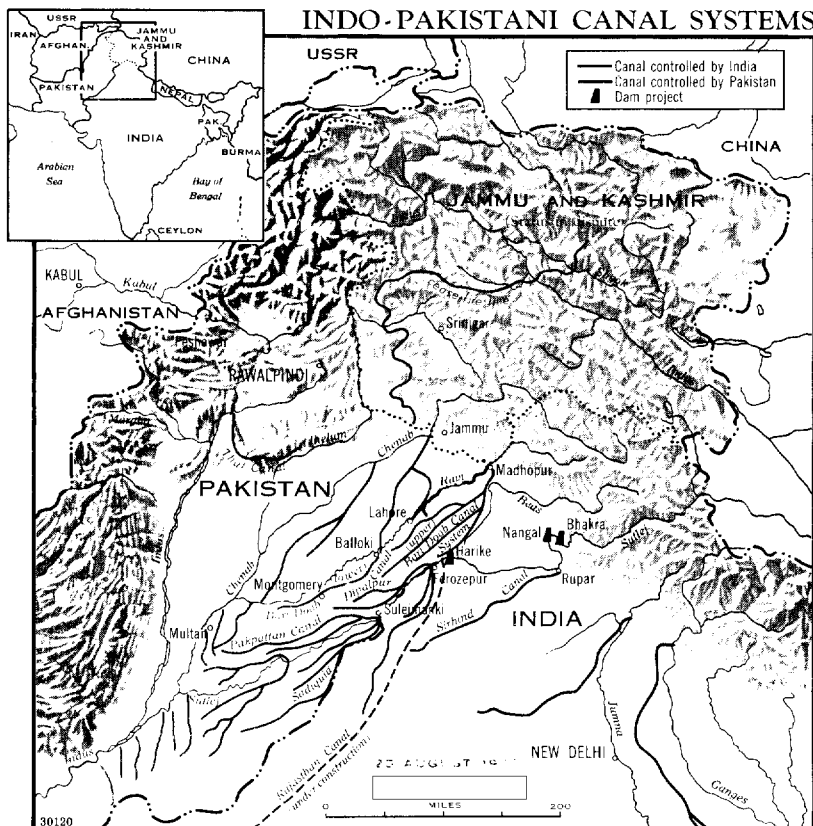
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of mutual interest will be considered, including the dispute over Kashmir, which remains the chief obstacle to Indo-Pakistani cooperation. In two previous brief meetings with Nehru since assuming power in 1958, Ayub has argued that increasing Communist pressure in Afghanistan and along the Himalayan frontier makes such cooperation essential to the security of the subcontinent.

Popular sentiment in Pakistan on the Kashmir question, while less emotional than several years ago, still runs strongly against India.

Nehru, while generally endorsing the rapprochement and authorizing settlements of several less important questions, has resisted pressure to negotiate on the major questions. Since Ayub has made obvious his impatience to reach an over-all settlement, even at the cost of yielding on some points, Nehru may feel India has more to gain by sitting tight in the expectation of further Pakistani concessions. He apparently realizes, however, that some reciprocal gesture on his part is necessary now if the improvement in relations is to continue.

When pressed in Parliament recently, Nehru said he would "discuss any matter that is raised" in his talks with Ayub, but he apparently is still not ready for substantive negotiations either on Kashmir or on joint defense proposals. The meeting may, however, lead to exploratory talks on such questions at a lower level in order to further the rapprochement both leaders desire.



Nehru's lukewarm response has nettled Ayub, whose recent statements stress that the success of the coming talks will depend on the "Indian attitude." Ayub may also calculate that his government has gone as far as it can to conciliate India without risking adverse reaction at home.

mir or on joint defense proposals. The meeting may, however, lead to exploratory talks on such questions at a lower level in order to further the rapprochement both leaders desire.

NEW SOUTH KOREAN GOVERNMENT

The new South Korean cabinet of Prime Minister Chang Myon has been drawn largely from his immediate Democratic party sup-

porters, who comprise less than half the party's two-thirds majority in the powerful House of Representatives. His party

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opponents, having rejected his offer for a broadly based cabinet representative of all Democratic elements, appear bent on forcing the new government from power. However, the prime minister's constitutional authority to dissolve the lower house and call new elections after a vote of no confidence may have a stabilizing effect on the members, who presumably are not anxious to face new elections so soon after those of 29 July.

Most of the new cabinet members named on 23 August are long-time supporters of Chang and, like him, are believed to be friendly toward the United States. Included in the cabinet are two independents and one member of the Democratic faction opposed to Chang: Minister of Education O Chon-sok, Minister of Agriculture and Forestry Pak Chewan, and Minister of Transportation Chong Hon-chu, respectively. Minister of Defense Hyon Sok-ho, who presumably will be responsible for carrying out the Democratic campaign pledge to cut back military manpower, has been criticized for his lack of experience in military affairs. Minister of Finance Kim Yongson has on occasion been critical of American policies in Korea, including the various aid programs.

The differences between the two major democratic factions largely concern personalities rather than policies. Chang on 20 August announced his intention to assure the political neutral-

ization of the police; strengthen and broaden South Korea's relations with the non-Communist world, including the neutral nations; agree to UN-supervised elections in South as well as North Korea for the purpose of unification; and take measures to strengthen and modernize the economy, including closer economic ties with Japan and West Germany, to help offset diminished American aid. Regarding South Korea's long-standing dispute with Japan, there is reason to believe Chang may be more flexible than his opponents, although both advocate a settlement of outstanding differences.

Should prolonged factional strife between the politicians for personal power undermine confidence in the post-revolution leadership, the disgruntled public might include the United States among those it blames for Korea's difficulties. Many South Koreans appear to expect an increase in American aid as a vote of confidence in their new government. At the same time, there has developed a marked increase in local press allegations that the United States is attempting to interfere in South Korean domestic affairs. Such attitudes, including Seoul's long-time desire for a status-of-forces agreement with the United States, may invite exploitation by politicians. (b)(3)

(b)(3)

PEIPING SOFTENS ATTITUDE TOWARD INDONESIA

To help dispel Asian anxieties about Chinese unreasonableness, Peiping is following up its accommodation on boundary questions with Burma and Nepal with moves to calm its dispute

with Djakarta over Indonesia's treatment of Overseas Chinese. Relations deteriorated considerably in early July after two Chinese resisting resettlement were killed by Indonesian troops

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in Tjimahi, West Java. Peiping demanded an apology and compensation for the victims' families.

Chinese Communist Foreign Minister Chen Yi told Indonesian journalists on 5 August that he was satisfied with Djakarta's note of 27 July expressing regret over the Tjimahi incident. Actually, the note had included an accusation that the Chinese Communists had instigated the incident and an offer to pay only the repatriation expenses of the victims' families.

Chen also promised to consider the possibility of ending Peiping's propaganda attacks against Indonesia, and there have been no such attacks since 8 August. The abusive radio propaganda campaign had greatly annoyed the Indonesians, and President Sukarno, to show his displeasure, refused for over four weeks to receive the Chinese ambassador, who was seeking to present "urgent messages" from Peiping.

In another move toward better relations, Peiping in early August agreed to receive a new Indonesian ambassador. After the Tjimahi incident, Pei-

ping had indicated the new ambassador would not be welcome.

Peiping's new attitude was again demonstrated on 17 August by the appearance of Chou En-lai and other Chinese leaders at an Indonesian independence day reception in Peiping. Chou on that occasion expressed the belief that the Overseas Chinese dispute was a temporary question which could be resolved amicably. He also pledged full support to Indonesian efforts to gain control of West New Guinea from the Netherlands.

Peiping probably hopes Sino-Indonesian relations will improve to the extent that it can point to them, as well as to progress toward boundary settlements with Nepal and Burma, as proof of its willingness to settle disputes with Asian nations. Trying to suggest that Indian rather than Chinese inflexibility is responsible for the lack of progress in Sino-Indian border negotiations, Peiping says that progress on Nepalese and Burmese border questions was possible only because both sides were willing to seek a solution. (b)(3)

(b)(3)

THE FINNISH POLITICAL SITUATION

The Finnish parliament which reconvenes in mid-September faces several unresolved political and economic issues likely to affect the future of Prime Minister Sukselainen's Agrarian minority government. One of the most pressing is the question of broadening the cabinet which took office in January 1959 following the "crisis" in Soviet-Finnish relations. The government has

held on in the face of increasing criticism of its lack of a parliamentary majority and its apparent willingness to broaden the cabinet except on Agrarian terms, which would exclude Social Democratic participation.

An issue which now seems to be directly tied to breaking the government deadlock concerns Finland's association with the European Free Trade Association

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(EFTA). The government has declined to act on this question, arguing that negotiations must first be held with the Soviet Union on the question of most-favored-nation treatment for Soviet exports before the way can be cleared for association with EFTA.

Nevertheless, the government has sought by a number of oral and written initiatives to secure Moscow's agreement to begin the required ministerial-level negotiations, but thus far there has been no response. Prominent government officials, however, now are taking the line that action on EFTA may not be necessary, in view of what they believe to be its uncertain future. While they have doubts about the long-term viability of EFTA, the Finns would also have reservations about joining the grouping if it appeared that close links between EFTA and the Common Market were being considered.

Official procrastination on this question has made Finnish industry spokesmen as well as much of the press increasingly impatient and has raised demands for early action when parliament reconvenes. A measure of the seriousness with which industry regards association with EFTA is its move to match the 20-percent EFTA tariff reduction which was effective on 1 July by a similar reduction in the export prices of certain wood and paper products.

Much depends on the attitude of President Kekkonen, who plays a key role in both the cabinet and EFTA questions. Kekkonen is inclined to avoid any steps which might risk countermeasures by Moscow, and he takes a gloomy view of the long-term prospects for the West in its struggle with Communism. In what is probably an effort to justify the delay on resolving problems, both Kekkonen and the Agrarian party have gone out of their way to emphasize the gravity of decisions that involve Finland's touchy relations with Moscow. The Agrarians are also probably anxious to use EFTA to bargain both for favorable terms in reorganizing the government and for support on a new farm-income law.

Meanwhile, the division within Finnish labor appears to have solidified and widened. The regular Social Democrats, having recently lost control of the executive committee of the central trade union confederation (SAK) to a coalition of dissident Social Democrats and Communists, are proceeding with plans to organize a rival trade union central organization. The net result of such a step may be a demoralization of democratic elements within Finnish labor and, as the Communists gain further influence over SAK policy, increased labor unrest. (b)(3)

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PART III**PATTERNS AND PERSPECTIVES****THE NUCLEAR TEST BAN TALKS**

The central issue of the nuclear test ban treaty negotiations, which recessed for five weeks on 22 August, has been the problem of agreeing on an effective control system, including international inspections. The West has insisted on detailed and specific measures to provide adequate assurance against a violation, and the USSR had demanded an immediate, permanent, and unconditional ban on testing, accompanied by a minimum of control features.

The major unresolved issues are the number of inspections of sites where suspected violations may have occurred, the nature and duration of a temporary moratorium on small underground tests, the details of a research program to improve methods of detecting these tests, and the composition of the control commission and the various components of the control system.

Inspections

A key problem throughout the negotiations has been the question of inspections. When the American, British, and Soviet experts agreed at the Geneva conference in mid-1958 on the technical feasibility of establishing a control system to detect violations of a test ban, they recommended "timely inspections of unidentified events which could be suspected of being a nuclear explosion." The experts concluded that when the control posts detected an occurrence which could not be identified as a natural disturbance, the international control organs should be empowered to send an inspection group to the site in order to determine whether or not a

nuclear explosion had taken place.

Since these conclusions committed the USSR to allow inspections inside its own territory, one of the Soviet delegation's overriding objectives has been to circumscribe Western freedom of action in carrying out inspections, which would constitute an unparalleled opening of the Soviet Union and would provide a strong precedent for inspections in any future disarmament negotiations. The Soviet delegation first met this problem on 9 December 1959 by resorting to a familiar move--a demand for a veto over any directive to dispatch an on-site inspection team. A way out of the resulting impasse grew out of Prime Minister Macmillan's suggestion to Khrushchev that the USSR could gain reassurance against arbitrary and unlimited inspections inside the Soviet Union by settling in advance on a specific number of inspections each year.

To avoid a US proposal to conclude a treaty by phases, beginning with tests in the atmosphere up to 50 kilometers, Khrushchev turned to Macmillan's suggestion. On 23 April 1959 the Soviet premier proposed that an agreement be reached to carry out annually a previously determined number of inspections on the territories of the three powers. These inspections would be made only if the reports of the control posts indicated the existence of phenomena believed associated with nuclear explosions. He made it clear, however, that the number of such inspections would be limited.

Subsequently Moscow added that determination of the number

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of inspections should be a political decision, made at a high level and unrelated to scientific data on the probable number of suspicious phenomena which might be detected but not reliably identified.

The USSR has held to this position, as outlined by Khrushchev, but has dropped its demand for a veto over inspections. Until recently, however, the Soviet delegation refused to specify the number of inspections or enter into negotiations until the Western powers accepted the quota concept "in principle." In anticipation of a heads-of-government meeting, the Soviet delegation flatly stated in early 1960 that the settlement of the quota issue was outside the competence of the conference.

The collapse of the summit meeting in Paris and the improbability of an early resumption of high-level talks upset the Soviet strategy of focusing on a settlement at the summit, where Khrushchev had apparently hoped to use Macmillan's association with the quota idea to gain US agreement to a small number of inspections. After private hints that the USSR would clarify its position on the number of annual inspections in return for US clarification of its position on other issues, the Soviet delegation offered on 26 July to allow three veto-free inspections each year inside the USSR, while the USSR

CHRONOLOGY OF NUCLEAR TEST BAN NEGOTIATIONS

- July - August 1959: Geneva experts' conference on control and inspection system to enforce a possible test ban treaty.
- October: Opening of political conference in Geneva.
- December: Soviet proposal for veto over control organizations' activities.
- January 1960: Western powers drop insistence on linking test ban to satisfactory progress on disarmament.
- February - March: Macmillan, during visit to Moscow, suggests annual quota of inspections of sites of suspected nuclear tests.
- 15 April: US proposes phased treaty, beginning with a ban on tests in the atmosphere up to 50 kilometers.
- 25 April: Khrushchev rejects US proposal for phased treaty and proposes predetermined annual quota of on-site inspections.
- 15 May: Khrushchev states if annual quota accepted by West, the USSR will drop demand for veto.
- June: US publishes data on difficulties in detecting underground nuclear tests.
- June: Technical discussions on improving methods of detecting high-altitude tests.
- November: USSR agrees to technical talks on methods of improving detection and identification of underground tests. Technical group fails to reach agreement on capabilities of control system for detecting and on criteria for identifying underground tests.
- 29 December: President Eisenhower issues statement that US free to resume weapons testing after 31 December, but will not do so without advance announcement.
- 11 February 1960: US proposes treaty banning tests in atmosphere, under water, at high altitudes as far as effective controls are agreed, and underground tests above a 4.75 seismic magnitude reading ("threshold"), and for establishing joint research and experimentation to improve detection of underground tests below threshold.
- 16 February: Soviet position on criteria for identification of underground events shifts almost to the Western position.
- 19 March: Soviet Union accepts threshold treaty but with temporary moratorium on small underground tests.
- 20 March: Eisenhower-Macmillan communique declares if a threshold treaty is signed and arrangements made for joint research, a voluntary, unilaterally declared moratorium could be instituted.
- 5 May: Soviet Union agrees to proceed with working out of a joint research program which would include a "strictly limited" number of nuclear explosions; proposes a moratorium of four to five years.
- 7 May: US announces expansion of Project VELA calling for increased basic research in seismology, including such nuclear explosions as are necessary.
- 11 May: Experts meet to discuss research program. Soviet delegates describe extensive national program including number of chemical explosions.
- 30 May: Experts adjourn; Soviet Union opposes US plans for studies of artificial muffling of underground tests and for a number of nuclear explosions.
- 2-5 June: Soviet political delegation repudiates Soviet experts' program, rejects US proposal for safeguards against misuse of research tests for weapons developments, advances Soviet demands for safeguards.
- 26 July: Soviet delegation proposes three on-site inspections each year in the USSR; Soviet Union would have right of three inspections each year in UK and three in US.
- 2 August: Soviet delegation formally rejects US proposal for common pool of nuclear devices to be supplied by three powers and used in research program. New Soviet warnings that if US unilaterally conducts research tests employing nuclear devices, the USSR will consider itself free to resume weapons testing.
- 22 August: Recessed until 27 September.

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would be allowed three inspections inside the US and three inside the UK. The quota would be subject to revision and review at the end of two years.

At the same time, the Soviet delegation rejected a US proposal in which the number of inspections would be based on a percentage of the likely number of unidentified phenomena above a level of about a 20-kiloton explosion--in effect amounting to a proposal for

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some 20 inspections a year. The Soviet delegation made it clear that the USSR's quota of three inspections applied to all unidentified phenomena, and not, as the US proposed, only to the larger ones.

Moratorium on Underground Tests

The differences over the application of inspections to all suspected tests, as proposed by the USSR, or only to the tests larger than 20 kilotons, are a facet of the larger issue of a comprehensive treaty permanently banning all tests, as urged by the USSR, versus a limited treaty, favored by the US and Britain, in which some tests would be temporarily excluded from a permanent ban. Since the negotiations opened in October 1958, the USSR has insisted that a test ban be not only permanent but unconditional, and has cited the Geneva experts' conference as confirming the technical feasibility of controlling all types of testing.

On the basis of new technical information derived from nuclear tests in Nevada in the fall of 1958, the US raised a serious challenge to the Soviet demand for an unconditional ban. The President's Scientific Advisory Committee announced on 5 January 1959 that the new data showed that the Geneva experts had underestimated the difficulty in identifying and detecting small underground nuclear explosions. US scientists also conclude that an underground test could probably be concealed by muffling the blast in certain types of caverns such as salt domes. From that point forward the US delegation pressed to reopen technical talks on the problem of small underground tests, but until November 1959 Moscow vigorously defended the validity of the 1958 findings of the Geneva experts.

When the conference resumed in October 1959, after a two-month recess, the US made it clear that it would introduce the new data into the record even in the absence of Soviet agreement. This factor and the new atmosphere following the Camp David talks were probably the major considerations which led the USSR to revise its position and agree on 3 November to convene a new technical group to consider the problem of underground-test detection.

The refusal of the Soviet scientists to accept the conclusions drawn by the US from its new data created a new impasse which led the US to propose formally a limited treaty calling for a permanent ban on all tests except at very high altitudes and for small underground tests below a "threshold" of approximately 20 kilotons. The "threshold" concept grew out of the conclusion of US experts that tests of 20 kilotons or greater could probably be detected and identified, but that below this level great difficulties would arise.

The US proposal therefore also included a provision for a program of joint research and experimentation by the three powers to improve methods of detecting underground tests below the 20-kiloton level so that this "threshold" could be lowered and eventually eliminated.

In the pre-summit atmosphere, the Soviet leaders apparently believed that an outright rejection of the limited treaty idea and insistence on a scientifically vulnerable position was no longer feasible. They accepted the US proposal but countered by including outer space tests in the permanent ban and temporarily banning the small underground tests below the

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"threshold" with a voluntary moratorium. The moratorium approach, which had originally been suggested privately by the British, was accepted by the US and UK in the Eisenhower-Macmillan communiqué of 29 March 1959, with the condition that agreement be reached for a coordinated research program.

Shortly before the summit, the USSR formally accepted a joint, rather than coordinated, research program which would include a "strictly limited number" of nuclear tests. Moscow also agreed that the moratorium should be unilaterally declared by the three powers, proposed a duration of from four to five years, but, in any case, insisted that the moratorium be conterminous with the research program.

The main issues in this area now are the duration of the moratorium and whether the three powers would be committed to extend it automatically on expiration if the research program does not yield the desired results.

Tests for Detection Research

Since the agreement on placing small underground tests under a unilaterally declared moratorium, a new issue has arisen in connection with the agreement to institute the research program to improve detection techniques. The US position on research calls for coordination of national programs and includes the detonation of nuclear devices. Prior to the Paris summit meeting, on 3 May, the USSR accepted the inclusion of nuclear explosions and agreed to convene a technical working group to discuss the program.

The Soviet experts in the group outlined a program of several chemical explosions in the USSR, declared their intention not to hold nuclear tests,

but insisted on a joint rather than a coordinated program. After the summit failure, the Soviet political delegation repudiated the USSR's scientific experts' program of conventional explosions and demanded that the US provide "adequate safeguards" against misusing research tests for weapons development.

The Soviet delegation rejected a US proposal for depositing unopened nuclear devices in a restricted area under the control of an international group. The US then proposed that the devices be opened on the basis of reciprocity, provided that all three powers contribute a device to a common "pool" and that each power could withdraw a device of its choosing for conducting a research test.

The Soviet delegation again turned down the US proposal, while noting that the offer to open nuclear devices represented a step forward. Moscow, however, continues to insist on a four-point proposal before agreeing to the use of nuclear tests. According to the Soviet delegation, adequate safeguards would include: (1) access to technical descriptions and blueprints of nuclear devices, plus superficial and internal inspection of the devices; (2) presence of all participants at the place of assembly and explosion; (3) installation by all participants of instruments for measuring effects; and (4) access to all data obtained in the program.

Both the Soviet delegate and Khrushchev have stressed that Moscow would interpret a unilateral research test by the US as a resumption of weapons development which would free the USSR from its commitment not to be the first to resume and which would compel the USSR to resume weapons tests.

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Other Issues

An important organ in the day-to-day working of the control system is the control commission, which would dispatch inspection teams and determine the budget and other fiscal, economic, and administrative matters. The composition of the commission and voting procedures, therefore, have become significant issues. Early in the negotiations it was agreed that the control commission should include several members. The USSR has proposed that the commission be divided on a 3-3-1 formula--three representatives from the US and its allies, three from the Soviet Union and its allies, and one representative from a neutral country. This proposal also called for decisions by a simple majority, except for a two-thirds vote on the budget --in effect giving the USSR a budgetary veto.

The US and UK have argued that this arrangement would place a great burden on the one neutral member, who would often be placed in the position of having to break a deadlock between the US and UK on the one hand and the USSR on the other. The Western powers have proposed a formula of 3-2-2--one member each from the US, UK and another Western state, one member each from the USSR and a Soviet ally, and two members from neutral countries.

There are also important differences over the make-up of the international staff at the control posts and the composition of on-site inspection teams and other staffs. Underlying all Soviet proposals has been the demand for strict parity between the USSR on the one hand and the US and UK on the other.

Prospects

The current recess probably marks an important turning point in the negotiations, in view of the fact that the three powers have narrowed the unresolved problems to the crucial elements which determine the effectiveness of the control system. During the recess Moscow will probably be forced to reach some decision on its future course, since its overall maneuverability has been reduced to areas of vital interest to the Soviet position on controls. Whereas over the past two years of negotiations the USSR temporarily side-stepped an impasse by moving on to other issues, such freedom of action has diminished, and the general deterioration of East-West relations will be a strong factor against any major Soviet concession to break the stalemate.

Moscow's general objective when the talks resume probably will be to maintain--without having to make any substantial concessions--sufficient flexibility to ensure that the talks continue. The Soviet delegation's tactics will probably be aimed at securing a full discussion of the quota and moratorium issues before accepting a debate on the research program. In such a discussion Moscow may adjust and amend its current stand, in line with private hints that the quota of three-, as well as the proposed four- to five-year limit on the moratorium, are negotiable.

Moscow's strategy will be influenced by the Soviet delegation's judgment of the chances of obtaining Western concessions on these issues. As an additional inducement to keep the talks going, the USSR may offer a new formula on the composition

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of the control commission, possibly as part of a new package arrangement on composition, voting procedures, and staffing of control posts and inspection teams. Any arrangement, however, would probably be closely tied to the acceptance of a quota.

Soviet strategy since the summit breakdown suggests that Moscow is mainly interested in prolonging the talks, on the assumption that the US may decide to proceed unilaterally with research tests employing nuclear devices. The Kremlin probably would view unilateral action by the US as a strong pretext to break off the talks on an issue which Moscow could

exploit as part of its efforts to indict US policy as provocative. Khrushchev would presumably follow such a move with a reaffirmation of Moscow's pledge not to test if the US ceased its program, and then submit the issue to the UN.

Moscow may also feel that US failure to proceed unilaterally would be an indication that the USSR could extend the negotiations, and thereby the current de facto ban, without any major concessions until a new US administration takes office--at which time the issue could again be employed as part of Soviet strategy to bring about a new summit conference. (b)(3)



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STATUS OF SOVIET DOMESTIC TRANSPORT

Soviet domestic transportation has undergone steady expansion and modernization in recent years. Since 1950 the total annual ton-miles of freight handled by all modes of transport has more than doubled. Serious shortcomings exist, however, in the present Soviet transport system--shortcomings underscored last month in the resolution of the plenum of the Soviet Communist party central committee.

While the required tonnage is being handled with only minor localized difficulties, inefficient use of capital and labor results in unwarranted transport costs, thereby hampering prospects for future growth. Provisions for new railroad construction--especially in the developing areas of Siberia--have not been adequate. Despite the USSR's greater size and population, a third less freight was hauled



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STATISTICAL VIEW OF THE SOVIET TRANSPORTATION SYSTEM

| | 1950 | 1959 | 1965 (PLAN) | INCREMENT IN 1959 OVER 1958 | AVERAGE ANNUAL INCREMENT (SEVEN-YEAR PLAN) 1959 - 65 |
|---|-------|--------|-------------|-----------------------------|--|
| DOMESTIC TRAFFIC (billion ton - miles) | | | | | |
| RAILROAD | 412.6 | 979.2 | 1287.2 | 37.3 | 53.6 |
| HIGHWAY | 13.8 | 60.0 | 100.0 | 7.4 | 6.8 |
| RIVER | 31.6 | 64.1 | 95.9 | 5.5 | 4.5 |
| COASTAL AND INTERCOASTAL | 12.9 | 26.0 | 34.2 | 2.0 | 1.4 |
| PETROLEUM PIPELINE | 3.4 | 28.6 | 126.7 | 5.4 | 14.8 |
| TOTAL | 474.2 | 1157.9 | 1624.1 | 107.7 | 82.0 |
| NETWORKS | | | | | |
| RAILROAD (thous. route miles) | 73.1 | 77.8 | 82.4 | 1.0 | .8 |
| ROADS (surfaced, thous. route miles) | 110.8 | 156.7 | N.A. | 9.3 | N.A. |
| RIVERS (thous. miles operated) | 81.3 | 84.4 | 88.8 | N.A. | .6 |
| PIPELINES (thous. miles) | 3.4 | 10.1 | 26.7 | 1.2 | 2.5 |

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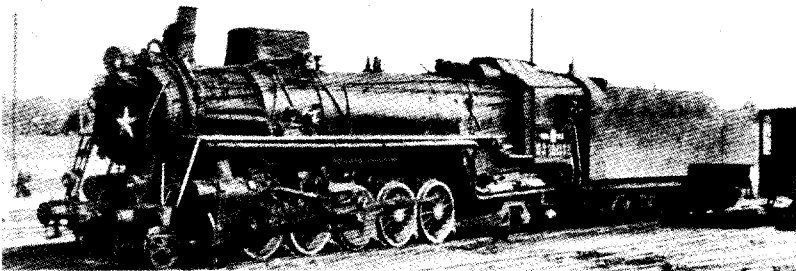
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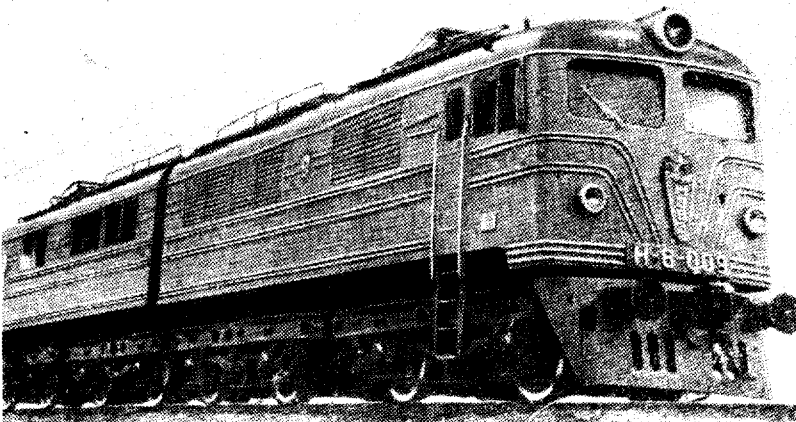
last year than in the United States, and qualitatively, the USSR is still a long way from possessing a modern and diversified transportation system comparable to that of the United States.

Railroads

The USSR has the second largest rail network in the world--77,500 miles compared to 217,700 miles in the United States--and railroads are still by far the largest single means of moving freight in the Soviet Union. In 1959 nearly 85 percent of all domestic freight was transported by rail. The Soviet network, however, has only fair to poor track and roadbed, only about one fourth is double-tracked, and a still smaller portion is equipped with automatic signaling devices. Over two thirds of the railroad traffic in 1959 was still handled by steam power, and about 30 percent of the freight cars were old two-axle types.



An FD20 steam locomotive. Two-thirds of Soviet rail freight traffic is still moved by steam.



An N8 electric (DC) locomotive -- the most powerful (5,700 h. p.) unit on the Soviet railroads. The most heavily traveled rail lines are being converted to electric traction.

The equipping of freight cars with automatic couplers and automatic brakes--a program begun seriously since World War II--is virtually complete, but the level of applied technology in classification yards is low. Loading and unloading methods are still backward by Western standards.

Other Forms of Transport

Motor freight transport, although of considerable importance in the Soviet Union, consists by and large of short-haul operations. In 1959 there were about 2,500,000 trucks in the civilian inventory, many of them obsolete and unsuited for their assigned tasks.

Water transport, operating on inland seas, coastal waters, and a river network roughly the same length as the total rail network, handled only about 8 percent of the total domestic ton-miles of freight hauled in 1959. Obsolete vessels and craft unsuitable for the type of service predominate in the river-fleet inventory. Inefficient utilization of ships and personnel, is in large part a result of short navigation seasons, adverse navigation conditions, and poor port and transshipment facilities. Insufficient productive capacity for modernization of equipment, plus the fact that the river network in many cases does not serve important industrial centers, will cause most of the limited capital available to transport to be concentrated elsewhere.

The civil air fleet--Aeroflot--has

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undergone rapid expansion in the last decade as part of Moscow's program to create a fleet which can compete successfully in international commercial aviation and provide increasingly effective domestic transportation, primarily for

CIVIL AVIATION IN THE USSR

| PASSENGER MILES (BILLIONS) | | | FREIGHT TON MILES (MILLIONS) | | |
|-------------------------------|------|----------------|---------------------------------|------|----------------|
| 1950 | 1959 | 1965 (plan) | 1950 | 1959 | 1965 (plan) |
| 0.8 | 7.2 | 29.2 | 147 | 627 | 1,644 |

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passenger traffic. Although Aeroflot presently handles less than one percent of total freight traffic, it provides an important service by linking remote areas of the Soviet Union and, in some cases, cutting days or weeks off the time required for shipments over a comparable land route.

Aeroflot's 1965 target for passenger-miles is more than four times the number flown in 1959, and for freight ton-miles, more than two and a half times. On the basis of present and anticipated rates of aircraft production, these goals should be achieved easily.

Pipeline transport, still barely developed, carried less than 3 percent of domestic surface ton-miles of freight in 1959. The average pipeline haul is still relatively short, and pumping facilities are generally inadequate.

Major Shortcomings

Although Soviet transport can meet present traffic requirements, the limited availability of certain equipment--modern ships and barges, suitable trucks, pipes, modern diesel and electric locomotives, electronic and communications equipment--together with the transport industries' relatively low priority for some materials such as copper and steel will probably continue

to limit the pace of modernization and expansion.

Statistics on the quantitative aspects of Soviet transport often give the erroneous impression that the Soviet system is a very efficient operation. They do not adequately reflect the low quality of the service, the lack of alternative services, the costly, ineffective use of transport equipment and labor, and the lagging and often poorly planned application of modern technology.

Labor-productivity and cost-reduction targets are frequently exceeded, according to statistics, which, however, do not reveal the appallingly wasteful use of labor and equipment. Many workers continue to be used where one person and a simple machine could do a given task. New, powerful locomotives and even many freight cars are operated well under capacity, both in terms of speed and tonnage, because of siding and yard limitations on train length and the relatively poor condition of roadbed and track.

The relatively heavy traffic on the network forces railroad management, mindful of the importance of the performance goals and uninterrupted traffic, to resort to such costly measures as the provision of several kinds of "stand-by" signaling and communications systems and the utilization of excessive personnel to ensure train safety. Trackwalkers are still employed, primarily for purposes of train inspection, and guards are used on all grade crossings, even those equipped with automatic devices.

Major emphasis is placed on achieving performance goals; cost-reduction and labor-productivity goals are secondary. Allocated capital is used almost exclusively for modernization and expansion to handle increasing traffic, and important steps for maximum cost reduction often are not taken.

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For example, since almost all switching and yard work on lines operating under diesel and electric traction is still performed by steam power, expensive steam-maintenance facilities must be retained.

There is little incentive for railroad managers to increase the efficiency of these operations. A stabilized labor force which is granted only modest wage and benefit increases keeps total operating costs from rising as fast as operating revenues derived from increased traffic, and it is an easy matter for managers under these wasteful conditions to show increased profits.

Prospects

In the next few years Soviet domestic freight turnover will probably continue to increase at a rate considerably

greater than that expected by the planners. The average increment during the Seven-Year Plan period (1959-65) was to have been about 82 billion ton-miles; in 1959 the increment was actually 108. The transportation system will be able to cope with the increases on a ton-mile basis. Because of investment and management policies, however, service will continue to be generally poor and limited in certain areas under expansion.

Many transport problems and their possible solutions were reviewed at the recent plenum. There are, however, other serious problems--involving both natural factors and broad policy considerations--about which little will probably be done in the near future.

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