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CENTRAL

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BULLETIN



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State Dept. review completed

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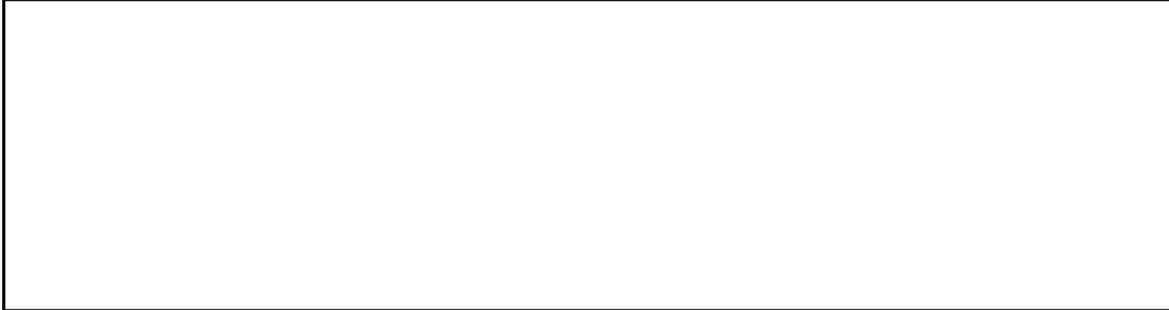
CENTRAL INTELLIGENCE BULLETIN

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Iran: The nine new members of Prime Minister Ali Amini's cabinet appear generally less experienced and capable than their immediate predecessors. All have had some government experience, mostly at a rather low level. Two of them have past histories of association with the Communists, although not in recent years. (Four ministers were held over from the previous cabinet, two of them, the ministers of war and interior, at the insistence of the Shah. Two posts remain unfilled.) The new appointees, however, probably owe their primary allegiance to the prime minister rather than to the Shah.

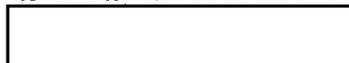
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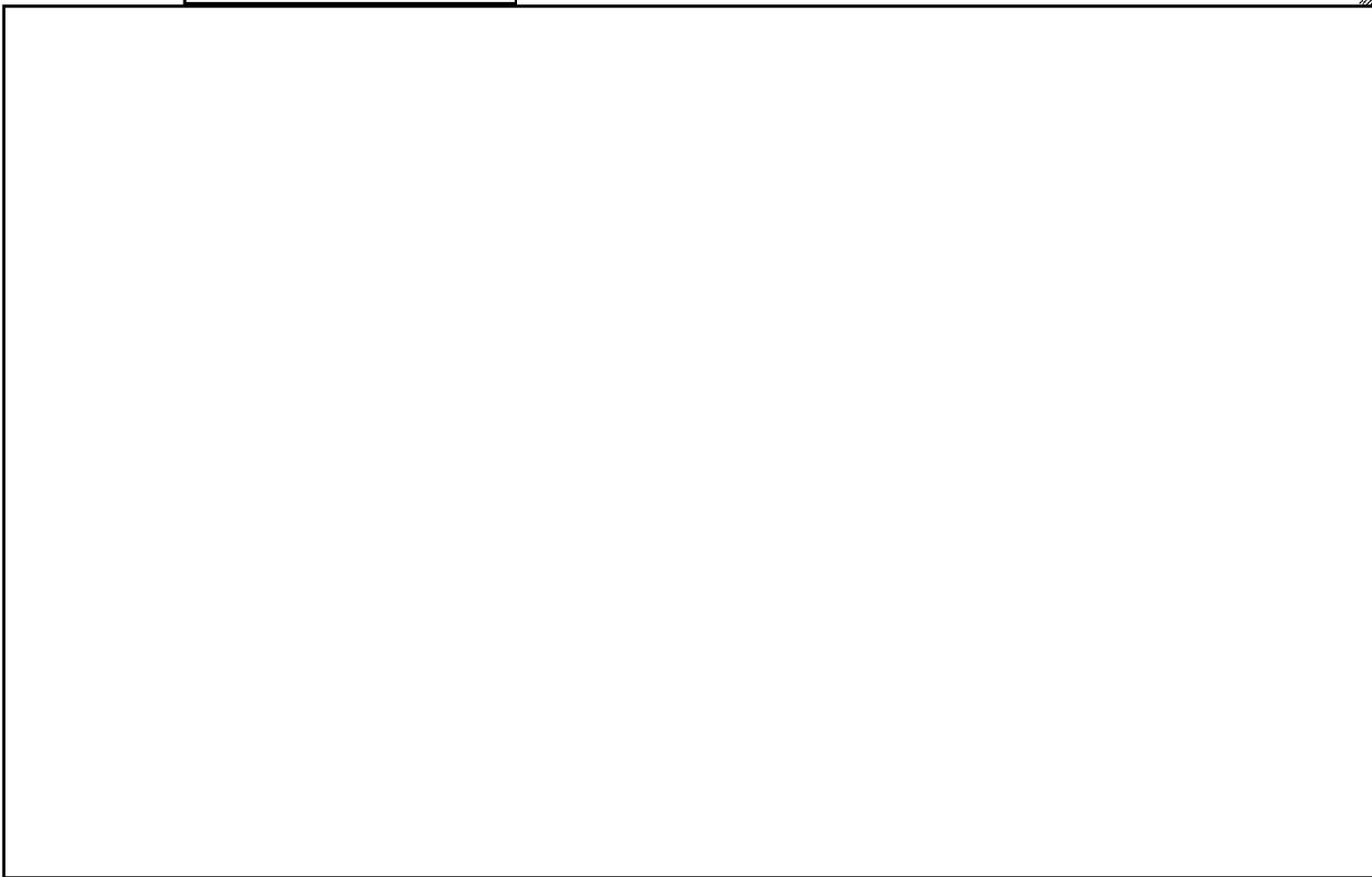
*On 9 May the Shah dissolved both houses of parliament and called for new elections under revised electoral laws.

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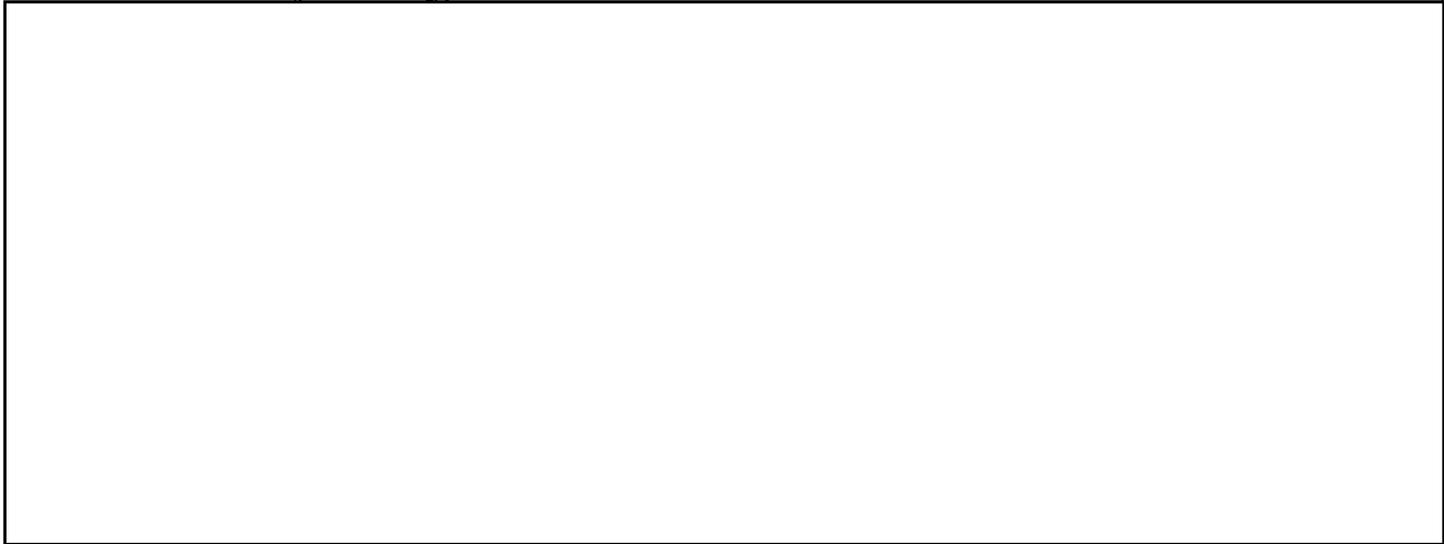
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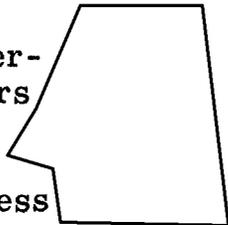


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Morocco: Moroccan workers at the American air bases, who have struck three times within a month for higher wages and other benefits, are reported to be considering new pressures to gain their objectives. The base union, which is subordinate to the leftist Moroccan Labor Union, is considering "embargoing"--through strikes of transportation workers --the passage of US military materiel through Casablanca port and harassing US military personnel and dependents. Such action on the part of the workers would provide the press and all Moroccan political parties with new opportunities to

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reiterate their demands for an accelerated withdrawal of American forces in Morocco, now scheduled for completion by the end of 1963. [redacted]

Soviet Bloc - Brazil: The Rumanian-Brazilian economic agreement signed in Bucharest on 5 May marks the beginning of a significant expansion in bloc economic relations with Brazil. The five-year trade pact calls for total trade of at least \$64,000,000 annually--an amount exceeding Brazil's current trade with any bloc country. In addition, under the agreement Rumanian trade agencies may grant credits up to a total of \$50,000,000 to finance deliveries of oil and chemical industry equipment. The Brazilian mission which negotiated this agreement has also concluded trade pacts with Albania and Bulgaria and is scheduled to conduct economic talks with the rest of the East European satellites. Separate Soviet-Brazilian trade talks are under way in Moscow, and the Chinese Communist trade delegation has arrived in Brazil. [redacted]

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USSR-Berlin: Major General Zakharov's replacement by Colonel Solovyev as the USSR's Berlin commandant will--unless Solovyev is promoted--reduce the Berlin command to the level of other Soviet city garrisons in East Germany, which are customarily headed by colonels. Solovyev's rank and the circumstances surrounding this shift suggest the USSR is continuing to dissociate itself from the four-power control mechanism in Berlin and may have decided to strip its Berlin Kommandatura of its special quadripartite functions and responsibilities deriving from the occupation status of the city.



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**CONCLUSIONS OF SPECIAL USIB SUBCOMMITTEE
ON BERLIN SITUATION**

The USIB has approved the following conclusions reached by its Special Berlin Subcommittee which reviewed the situation for the period 11 April 1961 through 8 May 1961:

1. There are suggestions in Soviet and bloc official statements that the USSR is preparing the ground for a formal diplomatic initiative on the Berlin problem and that the Berlin situation will become increasingly spotlighted in the coming months. The Soviet call for a resumption of negotiations could come at any time. Khrushchev himself, however, used a 24 April conversation with West German Ambassador Kroll to offset any impression that he felt committed to a showdown on Berlin before the Soviet party congress in October, thereby extending his previously vague but implicit "deadline" of not waiting for the West German elections in September.

no

2. There have been no significant developments adversely affecting access to Berlin and East Berlin during the period covered by this report.



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New Iranian Cabinet

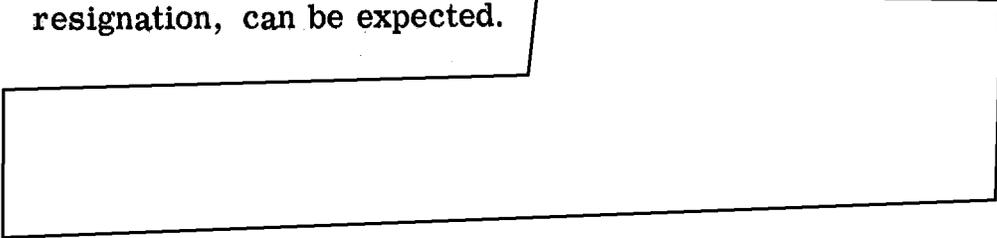
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[Prime Minister Amini gave in to the Shah's insistence that General Naqdi be retained as minister of war and General Amir-Azizi as minister of the interior. Both Naqdi and Amir-Azizi are capable officers with whom Amini feels he can work. Amini had, however, earlier demanded that he be free to choose his cabinet without interference; his apparent willingness to compromise on this point may indicate the extent to which he is willing to go to remain prime minister, as well as a realization that the Shah is not likely to tolerate any interference with the army. In 1953, the attempt by Mossadeq, then prime minister, to take over control of the army was a turning point in his relations with the Shah and one of the major factors which led to his downfall.]

[The new minister of justice, Nur ed-Din Alamuti, was once a member of the Executive Committee of the Communist Tudeh party, but he claims he broke with that party in 1946. Minister of Industry Gholam Ali Farivar, although apparently not a Tudeh member, has supported and been supported by the Tudeh in the past. Minister of Agriculture Hassan Arsenjani has been described by various sources as a leftist, but there is no evidence that he was ever a Tudeh member, and he has in the past publicly opposed the Tudeh. Arsenjani has, however, frequently been associated with groups opposed to the monarchy.] The over-all composition of the cabinet suggests an attempt by Amini to establish a balance between right and left and thus prevent the pressure on him from either side from becoming too strong.

The Iranian constitution requires that elections for a new parliament must begin within a month after dissolution of the previous parliament. New elections would give Amini an opportunity to establish a parliamentary base of power. He had earlier been reported reluctant, however, to hold new elections until he had an opportunity to make some progress in other areas. The Shah, in his decree, said that a new electoral law must be drafted before new elections are held, and it is probable

that the one-month time limit for starting new elections may be ignored. It is also not clear whether parliament was dissolved on the initiative of the Shah or the prime minister. If the move was made without Amini's consent--which seems unlikely--a strong reaction from Amini, possibly even his resignation, can be expected.



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Moroccan Workers at American Bases Consider New Pressure Tactics

Leaders of the United States Baseworkers' Association, established in 1956 and affiliated with the left-wing Moroccan Labor Union (UMT), have been agitating for several months for wage increases and other benefits. Their control over Moroccan workers at the bases has been demonstrated in a series of increasingly effective strikes within the past month. A one-hour sit-down strike was held on 7 April when strike leaders also threatened a demonstration in front of the US Embassy. Subsequently, on 17 April and 3 and 4 May, 24-hour and 48-hour strikes were called, absenteeism being nearly 100 percent on 3 and 4 May.

The US Embassy anticipated in late April that the left-wing National Union of Popular Forces and the UMT, which have been seeking ways to attack the Moroccan Government, might use the presence of the American bases and alleged disregard of workers' rights for a convenient and popular pretext for a "protest and display of muscle." Full UMT support of the base workers could lead to placing a cordon around the bases to interfere with the water supply and other contractual services, halting the movement of military material, or refusing to handle US military shipments through the port of Casablanca.

The Istiqlal party press, particularly since the announcement early in March that France had speeded up the schedule for evacuation of its troops, has been pressing the government to obtain an accelerated schedule for American withdrawal. Conversely, however, representatives of the Istiqlal-dominated union on 24 April maintained that wages and labor relations on the bases were satisfactory and that baseworkers' demands were only a "reflection of irresponsible leadership!"

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[Although Moroccan officials suggested a year ago that the schedule for American evacuation might be stepped up, King Hassan II implied to an American correspondent in mid-March that the 1959 agreement would stand.]

Bloc Economic Overtures to Brazil

As in all bloc aid programs, details of the Rumanian credit must be worked out later. The agreement, however, is the largest credit arrangement ever offered by Bucharest and is the first in which Brazil has accepted substantial economic aid from the bloc. The only previous bloc aid to Brazil has been in the form of medium-term commercial credits, amounting to less than \$4,000,000 to finance Czech and Polish exports.

Khrushchev, in a conversation with the head of the Brazilian trade delegation now in Moscow, stated that the restoration of diplomatic relations between the two countries would provide a "strong stimulus" for a significant expansion of trade. Since Quadros was inaugurated, Brazil has expanded its diplomatic ties with Eastern Europe to include all the satellites except East Germany. These countries now are responding favorably to Brazil's requests for credits, technical assistance, and expanded trade. The Brazilian mission touring Eastern Europe is likely to conclude further aid agreements, and Moscow probably will offer a sizable credit to Brazil if arrangements are made for the eventual exchange of diplomatic representatives.

The Chinese Communist trade delegation now in Brazil is assessing the opportunities for Sino-Brazilian trade. Peiping's contacts with Latin American countries, except Cuba, have been extremely limited. Leftist Brazilian Vice President Goulart reportedly has said he will visit China in June to "formalize" the trade contacts being made now. The Chinese probably envisage the conclusion of a trade agreement as a prelude to political recognition.

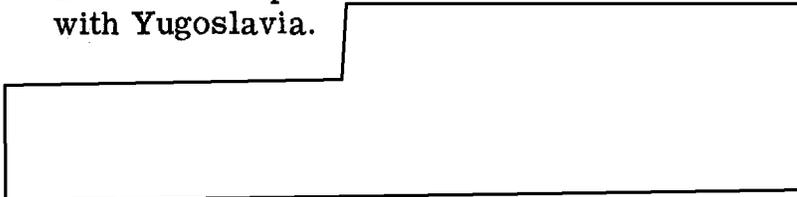
The initiation of a Soviet bloc aid program in Brazil will serve to promote bloc interests far better than normal trade contacts, which in Brazil have not proved particularly successful. Bloc-Brazilian trade rose moderately last year to nearly \$150,000,000--some 6 percent of Brazil's foreign trade. Poland and Czechoslovakia accounted for more than half this amount, while the USSR's share increased to nearly 20 percent. Despite

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the increase, however, the goals of the major trade agreements with the USSR, Poland, and Czechoslovakia were not met. Any significant expansion of trade depends on the bloc's willingness to accept greater amounts of coffee, cacao, iron ore, and other raw materials from Brazil. Bloc credits will facilitate long-term trade while adjustments are made to accommodate greater bloc purchases of these products.

Brazil's poor prospects for increasing its exports substantially--accentuated by the world's surplus of coffee--are prompting the country to explore bloc relations in the hope of stimulating new markets. Brazil is expected to produce 40,000,000 bags of coffee in the 1961-62 crop year, while recent exports and internal consumption have come to only 25,000,000 annually.

The Quadros administration is also negotiating for foreign aid from the United States, Western Europe, Japan, and the International Monetary Fund on a far more extensive scale than from the bloc. The Brazilian mission which is touring Eastern Europe has also concluded a trade and aid agreement with Yugoslavia.



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Soviet Commandant in Berlin Transferred

Maj. Gen. N. F. Zakharov, former Soviet commandant in Berlin, left the city on 30 April for transfer to an undisclosed post. He departed without making the usual formal calls on his opposite numbers. US Commandant Osborne first learned of Zakharov's departure on 1 May when an officer at the Soviet Kommandatura in Karlshorst called to say that Zakharov would not be able to receive Osborne the following day. Osborne had wanted to take formal leave prior to his own departure for another assignment.

Zakharov, who took over the Berlin post in February 1958, had been absent in recent weeks on sick leave. His political adviser, Lt. Col. Odintsov, also slipped out of town, apparently in late March, without taking formal leave of his Western opposite numbers.

Soviet Ambassador Pervukhin in East Berlin presumably would take over certain functions now exercised by the Soviet commandant--notably contacts with Western occupation authorities--while other functions would be transferred de facto to East German authorities in East Berlin. Such a move was foreshadowed last December when Pervukhin told US Ambassador Dowling that he, Pervukhin, was solely competent in matters of Soviet-American interest in Berlin. He further declared that the Soviet commandant was in no sense a sector commander, on a par with the US commandant, but was merely head of the Soviet garrison in East Berlin.

From the USSR's viewpoint, downgrading the commandant's post would tend to underline East Germany's "sovereignty" over the Soviet sector and would be yet another step toward the formal incorporation of East Berlin in East Germany.

[REDACTED]

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