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1 July 1959

CURRENT INTELLIGENCE WEEKLY SUMMARY



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~~SECRET~~
CONFIDENTIAL**CURRENT INTELLIGENCE WEEKLY SUMMARY**

1 July 1959

T H E W E E K I N B R I E F**PART I****OF IMMEDIATE INTEREST****THE SITUATION IN THE CARIBBEAN Page 1**

The situation in the Caribbean area remains explosive. Leftists and liberals, led by the Fidel Castro government of Cuba and apparently supported by President Betancourt of Venezuela, still seem determined to overthrow the Trujillo dictatorship in the Dominican Republic and the Somoza regime in Nicaragua. The majority of Latin American governments appear ready to support a meeting of foreign ministers, the highest policy-making group of the Organization of American States, to attempt to deal with the entire Caribbean problem. [REDACTED]

25X1

MIDDLE EAST HIGHLIGHTS Page 2

The Iraqi Communists continue at odds with recent actions of the Qasim regime. The regime's decision to restrict the activities of the Popular Resistance Force is being carried out, and non-Communist "nationalists" are being further encouraged. UAR President Nasir is building up the Palestine issue again, and both he and the Israelis are undercutting UN Secretary General Hammarskjold's efforts to ease tension. The Israeli cabinet crisis, a result of maneuvering by minority members of Prime Minister Ben-Gurion's cabinet, marks the opening of the campaign for the parliamentary elections scheduled to be held in November. [REDACTED]

25X1

EAST-WEST NEGOTIATIONS Page 4

Moscow is maintaining its posture of hopeful optimism regarding prospects for agreement when the foreign ministers' conference resumes on 13 July. In Western Europe there appears but little sentiment favoring concessions to the USSR to achieve a Berlin settlement except in Britain, where a general election is expected this fall. The British Government continues to emphasize its hopes on summit talks, and the West Germans and French suspect that Britain will press for Western concessions when talks resume. [REDACTED]

25X1

CONFIDENTIAL~~SECRET~~

1

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

1 July 1959

PART I (continued)**BRITISH LABOR PARTY'S NUCLEAR ARMS POLICY Page 8**

The British Labor party's evident success in compromising its internal differences over nuclear disarmament policy is likely to add to the already considerable pressures on the Macmillan government to achieve a test-suspension agreement. Labor's new policy, adopted in expectation of general elections this fall, calls for indefinite suspension of British nuclear tests. It also calls for complete abandonment of Britain's nuclear weapons if all other nations except the United States and the USSR agree to forego them, a proposal which most top Labor leaders recognize as unacceptable to France.

25X1

PART II**NOTES AND COMMENTS****PROTOTYPE AIRCRAFT USED BY KOZLOV Page 1**

The CLEAT (TU-114) turboprop passenger airliner which transported Soviet First Deputy Premier Frol Kozlov non-stop from Moscow to New York on 28 June is the prototype aircraft first displayed in Moscow in November 1957. The use of a prototype to transport a Soviet high official is unprecedented. The last-minute change in the type of aircraft used by Kozlov was made apparently in an attempt to acquire prestige and give an impression of equality with the United States in the development of heavy transoceanic transport aircraft. No other CLEAT aircraft is known to be in service or in production.

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ARGENTINE MOVES TO COUNTER MILITARY UNREST Page 2

Argentine President Frondizi appears to be weathering threats of a military coup. Having reorganized the cabinet, he is considering the appointment of compromise officers to top positions to meet demands made by moderate military elements as well as by those still advocating a coup. Moreover, the new economy and labor minister, Alvaro Alsogaray, a strong exponent of free enterprise, has included among his policy announcements various measures to counter popular discontent--particularly the ending of army control over labor in three industries and the strict enforcement of price controls on about a dozen essential consumer items.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

PART II (continued)

PRESSURES ON THE BOLIVIAN GOVERNMENT Page 3

The Bolivian Government of moderate President Siles, periodically threatened by leftists within the ruling party who object to the US-backed stabilization program, was confronted on 26 June with an uprising of opposition elements in the eastern provincial city of Santa Cruz. The government's extensive use of armed force to suppress the outbreak and its subsequent military operations against rebel groups reflect its well-grounded fear of further trouble in the area, but also seem to have been designed in part to unify hostile factions in its own party. The powerful Miners' Federation reportedly has threatened a strike if Siles goes through with the scheduled unfreezing of mine commissary prices in mid-July.

DE GAULLE'S ALGERIAN POLICY Page 4

De Gaulle's policy toward Algeria is emerging with increasing clarity after a year of sometimes ambiguous pronouncements. Measures now being pressed vigorously on all economic, military, diplomatic, and political levels indicate that De Gaulle's ultimate goal is the retention of French sovereignty over an Algeria remaining within the framework of French political institutions, but having a distinctive culture, a greatly expanded economy, and predominantly Moslem local governments.

MOSCOW TO PRESS FOR CLOSER RELATIONS DURING VISIT OF HAILE SELASSIE Page 5

Soviet leaders will probably utilize the official state visit of Ethiopian Emperor Haile Selassie as their best chance thus far to press for closer economic and cultural relations with Addis Ababa and to encourage his desire to appear as a neutralist. The Emperor, who is trying to stress his independence of the West and to associate Ethiopia more closely with pan-Africanism, will probably accept some form of Soviet aid as a demonstration of this policy.

NEW AGRICULTURAL PROGRAM IN POLAND Page 5

Party First Secretary Gomulka has recently given new impetus to the Polish seven-year agricultural program (1959-65). The program will be administered by "agricultural circles," which are voluntary cooperative peasant associations. For the past three years, agriculture in Poland has been largely private, so this move is probably intended to identify Poland more closely with standard bloc agricultural policies. The peasant, traditionally suspicious of government actions and offended by regime plans to continue compulsory deliveries for seven years, may be laggard in joining these "circles."

~~SECRET~~

iii

25X1

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

1 July 1959

PART II (continued)**YUGOSLAVIA WOOS WESTERN SOCIALISTS Page 6**

In the past month Yugoslavia has again started wooing West European socialist parties--a policy it has followed in the past whenever the bloc has succeeded in partially isolating it. While no dramatic move has accompanied this campaign, recent visits by prominent Yugoslavs to foreign socialist parties may open the doors for greater economic and--to a much lesser extent--political cooperation, and help deepen Belgrade's ideological rift with the bloc.

SOVIET BLOC MOVES TO EXPAND CREDIT RELATIONS WITH WEST . . . Page 7

The Soviet bloc is attempting to obtain additional credits in the West for the purchase of technologically advanced equipment, principally for the plastics, synthetics, and petrochemical industries, fields to which the bloc has only recently given high priority. The emphasis has been on medium-term credits--up to five years--for which the USSR has been trying to get government guarantees in order to encourage the flow of private credits. Besides wanting to expand exports, the bloc appears anxious to establish a new field of economic competition.

DEVELOPMENTS IN CHINA'S TRADE WITH THE FREE WORLD Page 9

Continued reports of serious difficulties affecting Communist China's foreign trade position are supported in part by trade statistics for the first months of 1959. Imports from Western Europe of manufactured goods and semifinished products to bolster the "leap forward" industrialization program have declined from the high levels of late 1958. China's difficult export position was reflected at this spring's Canton Trade Fair, where Western businessmen were disappointed by Peiping's reluctance to make new export commitments.

25X1

PEIPING "WARNS" WASHINGTON ON PARACEL RECONNAISSANCE Page 10

Peiping's recent "serious warnings"--numbers 50, 51, 52, and 53--protesting the "intrusions" of American naval reconnaissance aircraft are the first regarding the Paracel Islands in the South China Sea, which the Communists assert are part of Kwangtung Province. The Chinese Communists apparently intend the warnings to add weight to their claim to the islands--also claimed by Saigon and Taipei. The warnings contain no threat to take military action against US flights in the area.

25X1

SECRET

iv

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

1 July 1959

PART II (continued)**SITUATION IN KERALA STATE Page 11**

Agitation against the Communist government in India's Kerala State has been intensified following high-level Congress party discussions in New Delhi. National party leaders gave qualified support to the anti-Communist campaign by calling for elections in Kerala on grounds that the Communists no longer represent majority sentiment. Both sides in the state now are more determined than ever to hold out. A renewal of serious violence is likely to result from the stepped-up agitation, and New Delhi may yet impose direct rule. [REDACTED]

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THAI - NORTH VIETNAMESE REPATRIATION TALKS Page 11

Negotiations on the repatriation of the approximately 50,000 Vietnamese refugees in northeast Thailand opened on 20 June in Rangoon between representatives of the North Vietnamese and Thai Red Cross Societies. Initial conversations have bogged down over a procedural dispute. Thailand regards the predominantly pro-Communist refugees as a security threat in the northeast and appears determined to repatriate them--even at the risk of offending South Vietnam. [REDACTED]

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INDONESIA Page 13

President Sukarno, who returned to Djakarta on 29 June from a two-month trip, is consulting political leaders on the constitutional crisis and the acute financial situation. [REDACTED] eventually Sukarno will request Parliament for permission to impose the 1945 constitution by decree. Another problem which had been pigeonholed pending Sukarno's return is the resolution of a "mutiny" in the Indonesian Navy and the demand of junior officers for the replacement of Navy Chief of Staff Vice Admiral Subijakto. [REDACTED]

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SHANS BECOMING INCREASINGLY TROUBLESOME FOR BURMESE GOVERNMENT Page 13

Growing restiveness among Burma's one million Shans, stemming from the central government's efforts to exert more direct control over the Shan State, is causing Rangoon serious concern. The Ne Win regime seems particularly worried over the threat by Chinese Nationalist irregulars in eastern Burma to support a group of Shan dissidents operating in the area near the Thai frontier. Such support might enable the Shan dissidents to extend their operations to other parts of the Shan State, weakening Rangoon's authority in a large area contiguous to Communist China. [REDACTED]

25X1

SECRET

v

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CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

PART II (continued)

COMMUNISTS LOSE STRENGTH IN ICELANDIC ELECTIONS Page 15

The Communist-front Labor Alliance suffered a setback in Iceland's general elections on 28 June, losing some 20 percent of its popular vote--largely to the pro-NATO Conservatives and the rural Progressive party. The Social Democrats will try to form an interim government, having as its principal tasks the final passage of the electoral reform bill and preparation for a new general election in the fall. Such a government would have to depend on Conservative and Communist support, however, for a parliamentary majority. [REDACTED]

25X1

PART III

PATTERNS AND PERSPECTIVES

INDIGENOUS MINORITY PROBLEMS IN SOUTHEAST ASIA Page 1

The indigenous ethnic minorities throughout Southeast Asia, proud of their cultural traditions and often subject to government repression, are highly susceptible to dissident and subversive activities. Communist China and North Vietnam have already exploited these tendencies to gain influence with the Laotian, Cambodian, and Vietnamese minorities, and, through the Burmese Communist insurgents, have on occasion assisted the Karen rebels. The Karens have confronted the Burmese Government with a troublesome insurgent force, and minorities in Laos have lent considerable support to the local pro-Communist movement. [REDACTED]

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LATIN AMERICAN FINANCIAL PROBLEMS AND THE INTERNATIONAL MONETARY FUND Page 4

Political repercussions from financial reform measures stipulated as a condition of assistance by the International Monetary Fund (IMF) have led to critical situations in several Latin American countries, largely because of exploitation of the austerity aspects of these measures by extreme nationalist and Marxist-influenced groups. At the same time, the over-all economic outlook in Latin America is improving, with export earnings expected to be back at their 1957 peak by the end of this year. Undermining of the IMF-sponsored stabilization efforts would intensify deficit financing, inflation, and foreign-exchange maladjustments, and prevent the area from taking advantage of these favorable developments. [REDACTED]

25X1

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vi

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

PART III (continued)

POLITICAL TENSION IN NIGERIA Page 8

There is increasing friction among political parties of Nigeria in anticipation of the general elections this autumn. Basic political and social problems in Nigeria, scheduled for independence in October 1960, may increase the difficulties the British colony will encounter in attempting to function as a unified state and to exercise the moderate influence it expects to exert in West African nationalist circles.

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vii

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CONFIDENTIAL**CURRENT INTELLIGENCE WEEKLY SUMMARY**

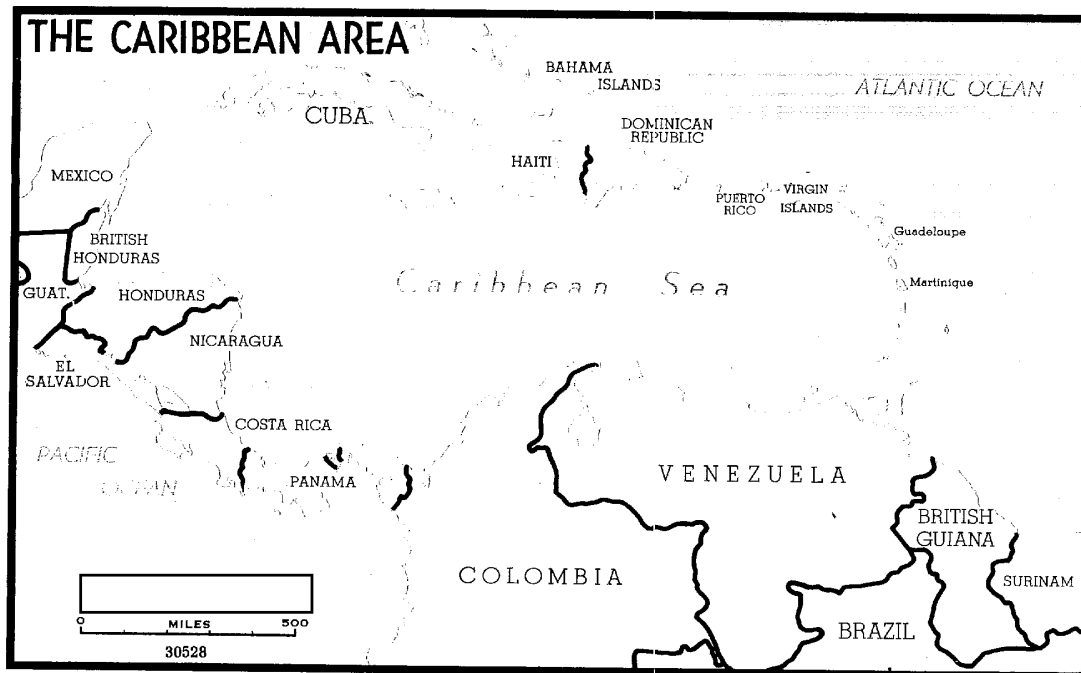
1 July 1959

PART I
OF IMMEDIATE INTEREST**THE SITUATION IN THE CARIBBEAN**

The situation in the Caribbean remains explosive. Leftists and liberals led by the Fidel Castro government of Cuba, and apparently supported by President Betancourt of Venezuela, still seem determined to force the overthrow of the Trujillo dictatorship in the Dominican Republic and the Somoza regime in Nicaragua. The majority of Latin American governments appear ready to support a meeting of foreign ministers, the highest policy-making group of the Organization of American States, to attempt to deal with the entire Caribbean problem.

Evidence is accumulating that the Cuban Government has been actively supporting and directing rebel incursions into

Nicaragua and the Dominican Republic during June. Arms and other equipment captured by Costa Rican and Honduran authorities during the week of 22 June from Nicaraguan rebel groups attempting to cross into Nicaragua clearly reveal their recent Cuban origin. Similarly, there is little doubt that the Dominican insurgents were trained and equipped in Cuba and possibly even, as the Dominican Government charges, escorted part way to the landing areas in the Dominican Republic by Cuban naval vessels. During the last week in June, the American Embassy in Cuba received persistent reports that as many as 2,000 troops are being trained there to reinforce the Dominican rebels.

**CONFIDENTIAL**~~SECRET~~

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

Venezuelan President Betancourt, an implacable foe of Dominican dictator Trujillo, has probably also provided material support for the Nicaraguan and Dominican rebels, although he has repeatedly denied it and appears careful to avoid compromising his announced policy of nonintervention or alienating the Venezuelan military. Venezuelan civil aircraft may have been used to transport arms, equipment, and Nicaraguan exiles to rebel bases in Costa Rica.

Generalissimo Trujillo assured the American ambassador on 27 June that he will resist the sentiment he says exists in the Dominican military in favor of an armed attack on Cuba. How-

ever, further Cuban-backed rebel incursions, which the Dominicans expect, could provoke an attack, and Trujillo has said he will provide Haiti with military assistance if that country is attacked and requests help. There have been frequent reports, [REDACTED]

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indicating that the Cuban prime minister is preparing a group of Haitian exiles for an attack on Haiti in the near future.

Meanwhile, Nicaraguan President Somoza says he has refused to aid a perennial Honduran revolutionary who has been seeking Nicaraguan backing for a coup against Honduran President Villada Morales. [REDACTED]

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MIDDLE EAST HIGHLIGHTS

Iraq

The Iraqi Government's orders to disarm the Communist-infiltrated Popular Resistance Force (PRF) and to curtail its activities are being implemented.

A statement by Military Governor and Army Chief of Staff Abdi on 25 June confirmed that the PRF has been relieved of all security duties. While it is not to be disbanded, the organization is to confine itself to training activities. There have been no PRF street patrols in Baghdad since the night of 21 June and none in Basra since 23 June. The government issued a public proclamation on 29 June forbidding any individual from carrying any kind of firearm or lethal weapon without a special permit from the governor general's office.

The Communist party organ and other Communist-line jour-

nals have refrained from comment on the PRF issue but have continued to attack other aspects of governmental policy. The press battle between the Communist and National Democratic party (NDP) newspapers continues. The formerly pro-Communist but now pro-NDP daily Al Thawra has accused the Communist party of "spreading terror and trying to dominate the political situation." The Communist press has countered by describing this journal as "distinguished for malice and for encouraging opportunists, imperialists, and stooges."

The Communist party resorted to a new strategem on 29 June with the announcement that the "national front," now composed of the Communist party, "the NDP," and the United Democratic party of Kurdistan, had been reconstituted. This transparent effort by the Communists to re-establish an appearance of

~~SECRET~~

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

1 July 1959

respectable association with other parties will probably deepen the antagonism between important NDP leaders and the Communist party, since the "NDP" with which the Communists have created this "national front" is only the extreme, Communist-permeated splinter group of that party.

While the effect of Qasim's recent moves has been to place the Communists on the defensive psychologically and to reduce their power to some extent, there is little reason to believe that he wants either to suppress their influence altogether or to force a showdown with them. His past reference to Iraqi Communists as "patriots who do not plot against the nation" and his obvious lack of concern about the danger from Communist ideology suggest that his real aim is to move toward what he may consider a healthier political balance, in which the Communist party becomes one of several political organizations and sources of influence, all of which remain susceptible to his control. His measures to assure his own control over the military and paramilitary forces are an essential first step toward redressing the political balance.

UAR

Nasir seems to be making the most of the emotions aroused in the Arab world by the publication of the UN report on the Palestine refugees, which envisages the possibility of the refugees' being absorbed in part by their present host governments. A new Palestine "study" committee has been formed.

In a speech on 30 June in which he charged that the "imperialists" and the Israelis were cooperating to create an incident over the issue of the Israeli use of the Suez Canal, Nasir called again on the Western powers to take some action on behalf of the refugees. Nasir's two main Arab opponents, the Iraqi and Jordanian governments, have also sought to capitalize on the issue and to portray Nasir as a compromiser. Nasir's remarks, made just before the arrival in Cairo on 1 July of UN Secretary General Hammarskjold, will make the latter's attempt to mediate even less likely to succeed.

The UAR's stand on the canal issue remains somewhat cloudy, because Cairo does not want to make any statement or agreement which would be construed as a concession to the Israelis. It appears, however, that Israeli cargoes would be allowed through the canal if the ships carrying them were not under Israeli charter or other Israeli control and if the Israeli-origin cargo is to be sold F.O.B., but the really important thing to the UAR authorities would seem to be that no reference to Israel appear in the ship's papers. The Israelis hinted they might be interested in some such arrangement, but the Tel Aviv Foreign Ministry subsequently unofficially rejected a compromise along these lines.

The UAR continues to show concern that the Israelis might retaliate for the seizures of canal cargoes by interfering with UAR air and sea traffic between Egypt and Syria. At least some UAR vessels are taking a northerly route around Cyprus.

SECRET

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CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

Israel

The cabinet crisis which developed in Israel late last week is the opening gun in the political campaign which will culminate in parliamentary elections next November. Members of minority parties in Prime Minister Ben-Gurion's cabinet again, as in December 1957, seized on the emotion-charged issue of Israel's relations with West Germany as an opportunity to dissociate themselves from the policies of the prime minister's predominant Mapai party. The actual question involved the revelation that the Israeli Government was prepar-

ing to sell a quantity of grenade launchers to Bonn.

Ben-Gurion has insisted, since the 1957 crisis on the principle of cabinet discipline, that critics must either be silent or get out of the government. He apparently intends now to force out the minority critics and may preside for the next four months over a caretaker government or over a new coalition with moderate right-wing parties--the Progressives and General Zionists. These two parties joined Mapai in winning a confidence vote on 1 July.

25X1

EAST-WEST NEGOTIATIONS

Western Divergencies

The recess in the foreign ministers' conference finds the major Western European countries clinging firmly to their divergent viewpoints. Pressures for accommodation with the USSR remain high in Britain, where general elections are expected this fall, but German and French leaders are determined to oppose any concessions to the USSR.

Prime Minister Macmillan's public statements continue to lead the British public toward relatively optimistic expectations when the negotiations are resumed. On 25 June he spoke of the "great

gain" in East-West relations over the past six months as the atmosphere changed from one of "ultimatum" to one of "negotiation." Reiterating his hope that a summit conference would take place, Macmillan indirectly chided his European critics by affirming that flexibility was based on confidence "in the moral strength of our position."

25X1

~~SECRET~~

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

25X1

[] The British press, while unimpressed by Soviet proposals at Geneva, supports the government's intention to keep negotiations going, preferably proceeding to the heads-of-government level. Gromyko's statement of 28 June has been reported as a withdrawal of the Soviet ultimatum. Substantial criticism of Adenauer and De Gaulle for insufficient flexibility is also evident.

Although discussion of specific issues has waned, George Brown and Aneurin Bevan, responsible for defense and foreign affairs respectively in the Labor party's "shadow cabinet," told the American Embassy on 23 June that they favored greater Western willingness to deal with the East German regime on a de facto basis. Bevan favors acceptance of the parity principle for an all-German commission to prepare for reunification.

Official circles in Bonn and Paris in the past week have renewed their warnings against Western concessions. The French press continues to support the De Gaulle government's firmness, and several papers have charged the West with conceding too much without Soviet counterconcessions.

Chancellor Adenauer's similar feeling that the West had already made "risky" concessions on Berlin has received mixed support from the governing Christian Democratic Union (CDU). While some CDU members share the chancellor's view that firmness will be needed in the re-

sumed negotiations, others have called for a new proposal on German reunification, possibly reviving the idea of a four-power commission to direct the work of some all-German groups.

Berlin's Mayor Brandt told the Berlin legislature on 25 June that the Western proposals were the "extreme limit which can be tolerated." He suggested, however, a return to discussions on German reunification and European security along the lines of the official policy of the Social Democratic party, which envisages a neutral Germany. Since returning from his mid-June visit to Geneva, Brandt has been in close touch with Herbert Wehner, the party's left-wing deputy chairman.

Pressures for Consultation

Other Western differences have emerged regarding procedures for consultation in advance of the resumption of the Geneva talks on 13 July. Italy's proposal for a meeting of NATO foreign ministers, coolly received in the North Atlantic Council, has been offered publicly by Belgium. Italy now will be satisfied to have Foreign Minister Pella included in consultations with his American, French, British, and West German counterparts before the talks with the USSR are resumed, as initially proposed by De Gaulle in the communiqué issued on 27 June at the end of his Italian visit. De Gaulle also introduced into the communiqué what has apparently become his pet topic for summit

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

1 July 1959

discussion--aid to underdeveloped areas.

In those European countries not directly involved in the conference, the belief has grown that a negotiated settlement with the USSR regarding Berlin may not prove possible. The US Embassy in Oslo believes that the stiffening of Norwegian public and official opinion is partly attributable to the counterproductive Soviet efforts to influence Norwegian foreign policy. The desire for summit talks appears only in spots, as in the Italian Government's advice to the West to go to considerable lengths, including a summit meeting, to try to eliminate any kind of Soviet deadline on Berlin.

Moscow's Stand

Moscow is maintaining its posture of hopeful optimism regarding prospects for agreement when the foreign ministers' conference resumes on 13 July. The statement issued by Gromyko on 28 June in reply to Secretary Herter's report to the nation on the Geneva talks said the first phase had been "definitely useful" in defining positions, making disagreements more precise, and helping bring the two sides "nearer on certain questions."

Gromyko declared that "there exist points of departure which make it possible to hope that the Geneva conference will have a positive outcome" if the West adopts a cooperative attitude. He went out of his way to endorse the British approach, stating: "We share to a great extent the evaluation of the prospects of the Geneva conference and that of the following summit conference voiced in the House of Commons on 24 June by Foreign Secretary Selwyn Lloyd,

who spoke about the chance of the success of the conference."

The high priority Moscow attaches to using the Geneva conference to promote East Germany's international status was again evident in Gromyko's statement. He declared that the presence of representatives of the two German states "has a great significance as a matter of principle" and stated that, although the Western powers "have not yet recognized East Germany diplomatically, they have nonetheless been forced to recognize its de facto existence." This, he said, constitutes an "important success for the Geneva conference and the German people."

The Soviet foreign minister's review of his proposals on Germany and Berlin contained no hints of future modifications. He again attempted to refute the Western charge that the Soviet proposals for an "interim agreement" on Berlin would leave the Western powers without any rights in negotiations at the end of the 18-month time limit and give the USSR freedom to take unilateral action at the expiration of that period.

Gromyko carefully evaded a direct reply to this charge, however, stating only that the Soviet proposal for further negotiations at the end of the 18-month period "speaks for itself." He also attempted to blur the issue by saying Moscow would not have proposed a guaranteed "temporary status" for West Berlin if it had contemplated a "unilateral solution of the question of Western rights in Berlin."

As part of its tactics to make its Berlin proposals the basis for discussion when the conference resumes, the USSR

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

probably will attempt to create the impression of willingness to work out a compromise on this crucial issue of Western rights under an interim agreement. In this connection, a TASS correspondent in Geneva stated privately on 22 June that the Soviet delegation believes that a compromise formula on this point could be negotiated.

Following Gromyko's line, the correspondent evaded a direct reply when asked why the USSR had not specified that Western rights in Berlin would remain unchallenged and undisturbed after the expiration of the 18-month period. He implied, however, that Western rights would be preserved not only during a review by the big four of the problem at the end of the 18-month period, but also during subsequent "periodic" foreign ministers' and summit talks on the German problem. He remarked that Berlin would "fall into second place" and stated that the USSR "does not want to force the West out of Berlin."

Khrushchev reportedly promised party chief Ulbricht during the recent visit of East German leaders to Moscow that no further concessions would be made to the West when the Geneva talks resume.

The firm stand attributed to Khrushchev against further concessions probably was intended mainly to reassure the

East Germans that the USSR would protect their interests in negotiations with the West.

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25X1

the Communists feel Britain is the most reasonable of the Western powers and that they will continue their efforts to exploit differences between London and the other Western powers.

Balkan "Zone of Peace"

Continued Soviet attention to the issue of Balkan and Baltic atom-free zones suggests that the USSR anticipates that the broader questions of disengagement and disarmament in Europe will be raised in future high-level East-West negotiations. In notes on 25 June to the United States, France, Britain, Italy, Greece, Turkey, Yugoslavia, Bulgaria, Albania, and Rumania, the Soviet Union formally proposed creation of an atom- and rocket-free zone for the Balkan and Adriatic area.

According to the Soviet plan, the United States, Britain, and France would join the USSR in "guaranteeing the security and independence" of the countries in the zone--expanding a recent Rumanian proposal--and "facilitate in every way its establishment." The notes expressed regret that, in favoring establishment of missile bases on their territories, Italy, Turkey, and Greece had created a "serious obstacle" to the creation of such a zone. The statements suggested that these nations "need the sensible voice of their

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

neighbors before it is too late."

The notes pointed with favor to the Rumanian proposal for a conference of the heads of government of the Balkan countries to "discuss pressing matters concerning that area" and cited a statement on 8 June by President Tito as support for creation of the zone.

This latest move on the part of the USSR climaxes the Soviet-bloc diplomatic and propaganda attack on projected American missile bases in Italy, Greece, and Turkey. Since Khrushchev's call during his recent Albanian visit for the creation of an atom-free zone, formal notes have been issued to Greece and Italy by the Soviet Union, Rumania, Bulgaria, and Albania, interspersed with a strong propaganda campaign on the subject.

The notes of 25 June were probably designed to elicit a more direct American, British, and French reaction to the bloc campaign. The Soviet leaders probably calculated that any Western rejection of this formal proposal could be used to justify the installation of Soviet missile bases in Albania and the other satellites.

Nuclear Test Ban Talks

The Soviet delegation to the technical talks on high-altitude detection has carefully tied all discussions with the 1958 Geneva Technical Report, claiming that no new information has been introduced which would "in principle" modify last year's conclusions. The Soviet experts have hoped to confine the final report to little more than a confirmation of the accuracy of last year's experts' conclusions to avoid setting any precedent which could be used to support Western efforts to consider basic modifications in these conclusions in light of new American data on detecting underground explosions.

In plenary sessions Moscow has announced that it will drop its insistence on veto rights over the appointment and discharge of control system personnel if agreement can be reached on control post staffing and on an annual inspection quota unrelated to the number of unidentified seismic events. The Soviet delegate also agreed to drop the veto over commission actions to deal with possible treaty violations. [redacted]

[redacted] (Concurred in by OSI)

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BRITISH LABOR PARTY'S NUCLEAR ARMS POLICY

The British Labor party's evident success in compromising its internal differences over nuclear disarmament policy seems likely to add to the pressures on the Macmillan government to achieve a test-suspension agreement.

With the Labor party's former policy calling for a uni-

lateral one-year suspension of tests outdated by the present suspension, which began when the Geneva talks started, the party and right-wing trade-union leadership faced an unexpected challenge from union ranks demanding unilateral banning of all nuclear weapons from British territory.

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

25X1

The new policy, agreed to on 23 June, represents a clear victory over the rebels. It demands the indefinite suspension of British nuclear weapons tests and calls for Britain's ultimate abandonment of these weapons through the organization of a "nonnuclear club" embracing all nations except the United States and the USSR. While advocating "tighter control" over American bases in Britain, the statement emphatically reaffirms that the next Labor government will honor Britain's NATO commitments.

The initially favorable British press reaction suggests that the public will view this statement as a moderate, responsible attempt to prevent nuclear war. Although Aneurin Bevan, foreign secretary in Labor's "shadow cabinet," has privately stated that Britain would never have to make good on its "non-nuclear club" plan because France would never accept it, the American Embassy believes the proposal is meant as a gen-

uine effort to reduce the risks of nuclear war by stemming the spread of nuclear weapons to other countries. Any credit gained by the Labor party indirectly puts additional pressure on Macmillan to show clear progress in the Geneva test-suspension talks before the general elections expected in the fall.

An outside chance remains that Bevan and party leader Gaitskell will find themselves in trouble on this moderate policy as elections approach. The 6 July conference of the Transport and General Workers Union--Britain's largest--will provide a crucial test, since its leader, Frank Cousins, dissented from the statement agreed to on 23 June. In the unlikely event that Cousins pushes through a significantly more radical resolution by his union, the Gaitskell-Bevan leadership would face a grave threat that would probably come to a head at the annual party conference in early October. [REDACTED]

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CONFIDENTIAL
CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

PART II

NOTES AND COMMENTS

PROTOTYPE AIRCRAFT USED BY KOZLOV

The CLEAT (TU-114) turbo-prop passenger airliner with fuselage number 5611, which transported Soviet First Deputy Premier Frol Kozlov nonstop from Moscow to New York on 28 June, is the prototype aircraft first displayed in Moscow in November 1957. The use of a prototype to transport a Soviet high official is unprecedented. The last-minute change in the type of aircraft used by Kozlov appears to be an attempt to acquire prestige and give an impression of equality with the United States in the development of heavy transoceanic transport aircraft.

Development of the CLEAT was first indicated by Soviet officials in January 1956. Subsequent publicity for about 20 months lauded the aircraft and indicated it would be in service soon. In early 1958, however, publicity was directed to a TU-114D, a modified BEAR (TU-95) four-engine turboprop bomber.

In May 1959 the CLEAT made a nonstop flight from Moscow to Khabarovsk. The Soviet press claimed the world record for a long-distance transport aircraft flight, and identified A. P. Yakimov as the chief test pilot. He also flew the aircraft to the United States.

The first flight outside the USSR was to Tirana, Albania, in early June. In mid-June the CLEAT apparently carried its designer, A. N. Tupolev, to Paris for the International Aeronautical Exhibition. While at the exhibition the Russians indicated the CLEAT could not give a flying display as the tractors could not haul it into position on the runway--although a tractor had towed it to the parking ramp.

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indicates the prototype has numerous fatigue cracks stopped with drilled holes at both ends. Buckling, caused by heat, has scarred the engine nacelles.

Other CLEAT aircraft are not known to be in service or



CONFIDENTIAL
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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

1 July 1959

in production. Impressive as it is in size, the obvious compromises made in using available bomber components detract from the aircraft's potential as a profitable civil or military transport.

Wings, power plants, and landing-gear assembly of the types used in BEAR bombers were probably used for the CLEAT.

These components are mounted low on the transport fuselage, giving it an extremely high ground clearance of at least 12 feet. Less practical is the resulting placement of passenger and cargo decks about 18 feet above the ground, necessitating ground equipment of unique design for loading and maintenance. [REDACTED] in by ORR)

ARGENTINE MOVES TO COUNTER MILITARY UNREST

Argentine President Frondizi appears to be weathering threats of a military coup. Having re-organized the cabinet, he is considering the appointment of compromise officers to top positions to satisfy demands made by moderate military elements as well as by those still advocating a coup. The new economy and labor minister, Alvaro Alsogaray, has included among his policy announcements various steps to counter popular discontent which stems primarily from austerity measures under the US-backed stabilization program.

Probably because of suspicion in left-of-center circles of Alsogaray's outspoken advocacy of free enterprise, his first official act was to announce a decree effective 30 June ending army control over personnel in the petroleum industry, railways, and the Buenos Aires bus system. This move will eliminate one issue used by the Peronistas and Communists for strike agitation and possibly mollify somewhat the considerable number of Intransigent Radicals--members of Frondizi's own party--who consider Alsogaray too conservative.

Emphasizing the necessity of the stabilization program, Alsogaray said the government intends to bear the brunt of austerity for the people by reducing bureaucratic and military expenditures. State controls over the economy will be lessened, and price controls enforced over about a dozen essential consumer items.

In a clear reference to military complaints about Peronista and Communist influence, Alsogaray stated that the cabinet reorganization was not a change in policy but in personnel, giving responsibility to those having clearly defined political, economic, and social views. He asked a six months' trial period--which would be bleak at the outset--before judgment is passed on the government's policies.

While the majority of the armed forces reportedly are satisfied with Alsogaray, they still insist on shifts in military commands. Frondizi described the situation to Ambassador Beaulac as an institutional crisis in the armed forces, mainly the army. This breakdown in discipline in both army

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

1 July 1959

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and navy has resulted in conflicting demands, but negotiations are under way toward a compromise, which may include soft treatment of rebellious officers.

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PRESSURES ON THE BOLIVIAN GOVERNMENT

The Bolivian Government of moderate President Siles, periodically threatened by the leftists within the ruling party who object to the US-backed stabilization program, was confronted on 26 June with an uprising of opposition elements in the eastern provincial city of Santa Cruz. The government's extensive use of armed force to suppress the outbreak and its subsequent military operations against rebel groups reflect its well-grounded fear of further trouble in the area, but also seem to have been designed in part to unify the hostile leftist and moderate factions in its own party.

The government apparently precipitated the Santa Cruz unrest by removing local officials allegedly subservient to the opposition "Santa Cruz Committee" as a step toward reimposing its authority over the area, long a center of resentment against the ruling Nationalist Revolutionary Movement (MNR). The government also was concerned over renewed reports of subversive activity in the Santa Cruz Department by the principal rightist group, which perennially plots against the regime and made its most recent coup attempt on 19 April.

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the Siles regime faces serious civil war

in the department, where an armed rebel force of an estimated 1,000 men is reportedly being pursued by strong government forces.

The government's apparent provocation of this unrest could have been timed to distract growing discontent against stabilization, to reduce dissension within the MNR, and to undercut the threat of a general strike of the miners. Unions in the Miners' Federation, including those which have backed Siles in previous clashes with the leftist labor leader Juan Lechin over stabilization, reportedly are unanimous in support of a strike against the unfreezing of all mine commissary prices scheduled by the government about mid-July. This move, designed to meet a commitment to the International Monetary Fund under the stabilization program, caused considerable political tension when it was partially implemented last March.

Bolivia's economy, which deteriorated sharply in 1958 and has poor prospects for improvement in 1959, is largely dependent on mineral production and exports. A fully effective and protracted strike by the miners would threaten both the stability of the President's regime and the stabilization effort.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

1 July 1959

Siles, who may covertly settle with the miners to evade the commitment to the IMF, could find his position further compromised by the expected return of former President Paz in early July. According to the press, Paz--head of the MNR--has been traveling in the Soviet bloc and is probably investigating recent reported bloc offers of economic

aid to Bolivia. He may use any such proposal in an attempt to extract concessions from the IMF or to reduce the country's dependence on US assistance. Paz is likely to weaken the government's determination to unfreeze commissary prices if he intervenes in the dispute between Siles and the Miners' Federation. [REDACTED]

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DE GAULLE'S ALGERIAN POLICY

De Gaulle's policy toward Algeria is emerging with increasing clarity after a year of sometimes deliberately ambiguous pronouncements. Measures now being pressed vigorously on all economic, military, diplomatic, and political levels indicate that De Gaulle's ultimate goal is the retention of French sovereignty over an Algeria remaining within the framework of French political institutions, but having a distinctive culture, a greatly expanded economy, and predominantly Moslem local governments.

According to an apparently authentic "top secret" document leaked this month to a French magazine, the government's plan for Algeria gives priority to the pacification program to force the rebels to accept a cease-fire without political preconditions. It also precludes using any outside "good offices." Once peace is restored, Algeria's own elected representatives would be permitted to work out gradually a political program for the area. Economic and social developments are aimed at giving the Moslems a standard of living nearer to that of the French and at encouraging the emergence of a Moslem elite.

The key element in this scheme is the ten-year Constantine Plan for economic development announced by De Gaulle last

fall which is now moving into advanced planning stages. Plans are being made to raise locally some of the very considerable funds required--a move which may slow up the rate at which the program can provide new jobs for Algerians.

French spokesmen are continuing their recently optimistic statements about the military situation following De Gaulle's May prediction that the end of the war is "in sight." Indications of low morale and supply shortages among the rebels are probably strengthening French confidence, despite the resurgence of terrorism and the rebels' apparent ability to maintain their level of strength.

Paris is pressing the diplomatic phase of its policy on the premise that it can tolerate no foreign aid to the rebels. A "black list" of foreign firms doing business with the rebels has been prepared, and France has protested to the United States and other countries about the activities of Algerians within their borders.

In the light of recent developments on Algeria, the key statement in De Gaulle's policy seems to be his original reference to "realizing the Algerian personality" through consultations with duly elected political representatives after hostilities have ended. [REDACTED]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

MOSCOW TO PRESS FOR CLOSER RELATIONS DURING VISIT OF HAILE SELASSIE

Ethiopian Emperor Haile Selassie arrived in Moscow on 29 June for what is expected to be a two-week visit, his first to the USSR. Soviet leaders will probably utilize the occasion to press for closer economic and cultural relations with Addis Ababa and to encourage the Emperor's desire to appear as a neutralist. On 30 June Soviet Premier Khrushchev hailed Ethiopia as "practically the only island of independence and national freedom in an Africa enslaved by the colonizers."

The Emperor, who is trying to stress his independence of the West and to associate Ethiopia more closely with pan-Africanism, probably will accept some form of Soviet aid as a demonstration of this policy, although he said he does not want additional bloc personnel in Ethiopia. A Soviet Embassy official in Addis Ababa stated in April, "If the Emperor asks for a loan, he will get it."

A visiting Soviet agricultural team expressed interest in an assistance program in February, and a five-man delegation which arrived in Ethiopia on 10 June reportedly has entered into preliminary negotiations for a commerce agreement to be signed at the end of the Emperor's visit and has discussed with Ethiopian officials plans to expand the Soviet hospital in Addis Ababa.

the Soviet Government would present a broad selection of proposals for educational, economic, agricultural, and military assistance to Ethiopia during the visit

Moscow is seeking to reduce American influence and is particularly interested in undercutting US military assistance and in eliminating US military installations in the Asmara area.

Prague is the only other bloc capital the Emperor is scheduled to visit during this tour.

NEW AGRICULTURAL PROGRAM IN POLAND

A new agricultural program introduced by Poland's party First Secretary Gomulka on 22 June at the party's second plenum is intended to help attain by 1965 a 30-percent increase over the 1958 level of production and to provide a large increase--25 billion zlotys (\$833,000,000), or 33 percent more than originally planned--in funds available for investment in agricultural

development projects, such as land improvement and partial mechanization of farm operations.

The vehicle of the program is to be the "agricultural circle." These "circles" are eventually to encompass all villages and the majority of peasants and will be the administrators of funds and machinery to be dispensed to their members.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

1 July 1959

The funds for the investment increase are to come from the difference between what the government pays the peasants for compulsory deliveries and what these products would bring on the free market.

A companion move essential to an improved situation for Polish agriculture is the recent postponement of all "heritage" payments by farm owners for four years. This is said to free a half million farms from an annual debt charge of approximately 6 billion zlotys (\$200,000,000) which can be used for investment also. The regime is also working on a draft bill to prevent a division by inheritance of medium-size and small farms.

These steps are necessary, according to the regime, because Polish agriculture has failed to maintain the rate of production increase that occurred soon after Gomulka came to power. Although Polish agricultural output increased about 7 percent in 1957 and 1958 and contributed much to halting inflationary trends, the regime feels the increase in agricultural output must continue high, given the lack of land reserves, large food imports, and the rapidly growing population. Gomulka therefore has introduced a milder measure than the brutal collectivization drives being implemented in the other satellites.

The success of this program will depend on the peasants' reaction, since only 14 percent of the peasantry are now in "agricultural circles." The peasant probably will not be enthusiastic at first. Conservative and distrustful by nature, he has come to doubt--largely because of past experience--the benefits of government actions. Increased party participation in the circles, initially to oversee fund allocations, may hinder the growth of the "circle" movement. The moderate tone of Gomulka's speech, however, was designed to allay peasant fears of a new collectivization campaign.

This fear may be enhanced by the prospect that, despite promises to the contrary, compulsory deliveries are to be continued for at least another seven years. The party apparently is somewhat divided over the outlook for this program, for violent discussions reportedly have taken place. However, if the regime is trying to find a plan which is feasible yet can appear to show progress toward bloc agricultural orthodoxy at the time of the Khrushchev visit in mid-July, it has chosen the mildest available method and the one most likely to be successful.

(Prepared by ORR)

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YUGOSLAVIA WOOS WESTERN SOCIALISTS

In the past month Yugoslavia has again started wooing West European socialist parties with considerable vigor--a policy it has followed in the past whenever the bloc has succeeded in partially isolating it. Vice

President Edvard Kardelj made a tour of the Scandinavian countries from 26 May to 12 June and reportedly stopped for two days in Hamburg en route home, presumably to talk with West German Social Democratic party

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CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

(SPD) leaders. On 22 June, Under Secretary of Foreign Affairs Ales Bebler and Croatian party boss Vladimir Bakaric began visits to the socialist parties of West Germany, Belgium, and Great Britain.

The Yugoslavs exchanged views with their socialist hosts on international affairs and their experiences in establishing a socialist system. While it is difficult to gauge the influence of the Western socialists on Yugoslavia's internal system, the visits have furnished support for such concepts in Yugoslavia's ideological position as the one that all countries of the world are moving toward socialism--a view unacceptable to the bloc.

The visits cannot be expected to result in specific steps toward closer political cooperation between Belgrade and the governments of these states--most of which are oriented toward NATO. Belgrade's claim that it is a neutral between the "two blocs" particularly necessitates caution. Kardelj's visit to Denmark was somewhat marred, for example, when his statement that excellent political cooperation existed between Denmark and Yugoslavia compelled Danish Premier Hansen in his 28 May press conference to reaffirm Denmark's NATO ties. The visits do, however, create a favorable climate for increased economic

activity and cooperation toward regional European economic groupings such as the Common Market.

The imprisonment of Milovan Djilas--author of The New Class--and the leaders of Yugoslavia's prewar socialist party has also hampered the development of closer relations with West European socialist parties. All three Scandinavian premiers brought up this question when they visited Belgrade in 1957 and 1958. The British Labor party apparently also protested these arrests to Foreign Minister Popovic in October 1958. The friendly atmosphere of the present visits, however, suggests that the Djilas issue is losing some of its negative effect, and there is no evidence that the subject was broached during Kardelj's trip.

The two Yugoslav visits to West Germany appear to have resulted in fruitful discussions with the SPD and general agreement on such questions as the Geneva conference and the SPD's program for the reunification of Germany. The SPD also served as an intermediary in setting a meeting between the Yugoslavs and a West German Foreign Ministry representative. Such a meeting was held on 24 June to discuss the possible re-establishment of diplomatic relations between the two states but had no positive results. [redacted]

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[redacted] 25X1

SOVIET BLOC MOVES TO EXPAND CREDIT RELATIONS WITH WEST

The Soviet bloc is attempting to obtain additional credits in the West for the purchase of technologically advanced equipment, principally for the plastics, synthetics, and petrochemical industries, fields to which the bloc has only recently given

high priority. The import of such equipment has recently been stepped up and is facilitated by the extension of credits.

The current credit drive stems from a variety of economic

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

1 July 1959

and political motivations. The receipt of credits from Western sources will support Soviet attempts to expand exports, and the introduction of credit discussions with some West European countries will establish a new area of competition in East-West trade. The emphasis has been on medium-term credits--up to five years--for which the USSR has been trying to get government guarantees in order to encourage the flow of private credits. Future repayment will be made through the export of bloc goods drawn from the larger productive base the bloc is establishing.

tential private credit extensions are greatest in this field.

Within the past two years complete West European industrial units have been sold to the bloc on medium-term credits. All of these have been financed privately, but in some cases government credit guarantees have also been made available. At the same time the bloc itself also extends such credits to the free world, to less developed countries. Turkey, Iran, Indonesia, and Argentina, for example, have purchased less sophisticated factories financed by bloc loans of less than five years' duration.

The largest number of and most often used credits remain, however, commercial credits of up to a year connected with the financing of ordinary trade. These credits are designed primarily to ease the flow of trade, but, beyond facilitating the expansion of economic relations, are of only minor importance to the bloc.

Duration of credits granted the bloc in recent years has ranged from 30-day commercial credits to a 20-year loan. Of chief significance to bloc countries are credits permitting lengthy deferment of payments for purchases of advanced Western equipment and plants for industrial modernization and development. Only Poland has received such loans; two West European and one American loan for 9-, 12-, and 20-year periods for the purchase of miscellaneous manufactured goods. The bloc has chosen the field of medium-term Western credits as the most promising, and po-

Bilateral trade agreements concluded by the bloc frequently contain "swing" credit provisions. These are designed to permit temporary imbalances in trade under clearing agreements and usually are settled at the end of the year with payments in goods or cash. These temporary credit accounts, however, sometimes are carried over periods longer than one year and have been used by the bloc to force free world creditors into expanding imports of bloc goods.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

1 July 1959

DEVELOPMENTS IN CHINA'S TRADE WITH THE FREE WORLD

Continued reports of serious difficulties affecting Communist China's foreign trade position are supported in part by trade statistics for the first months of 1959. Trade with the free world has declined from the extremely high volumes recorded during the latter part of 1958--particularly in imports from Western Europe, where China was making heavy purchases of manufactured goods and semi-finished products to bolster its "leap forward" industrialization program. Trade this year with Western Europe is greater than in early 1958, but this has been largely due to fulfillment of contracts concluded last year and there has been a marked slack in signing of new export contracts. Thus it is unlikely that trade with the free world will reach the high levels of 1958 during the rest of this year.

There is no indication that China's trade with bloc countries has declined, and if existing commitments are fulfilled, a substantial increase in Chinese trade with the bloc can be expected this year.

The greatest decline in Chinese sales to the free world occurred in trade with Hong Kong. Last year Peiping exported nearly \$245,000,000 to that colony, but after rising to a record monthly total of \$28,000,000 in December 1958, its exports there fell to a four-year low of \$50,000,000 in the first four months of this year. Sales of Chinese foodstuffs and other traditional exports have been severely reduced, reflecting shortages on the mainland.

In Southeast Asia--the scene of vigorous export activity

in 1958--there is little evidence of renewed Chinese efforts to mount another trade offensive. Normal trade is continuing, but without the emphasis on sales-promotion techniques characteristic of last year's program.

This situation was accurately reflected in reports from the Canton Trade Fair held in April and May 1959, at which transactions were less than 45 percent of those claimed for each of the two 1958 fairs. Chinese reluctance to make new trade commitments proved disappointing to representatives from West European firms who came expecting to place large orders for Chinese goods.

In contrast to its previous practices, Peiping gave little publicity to the fair and refused applications from many who planned to attend. Most foreign businessmen agreed that the Chinese seemed genuinely eager to promote further trade but simply were unable to accept orders in quantities comparable to those of last year. They also complained that the quality of many products was far below previous standards and unacceptable to Western customers.

Chinese officials gave assurances earlier this year that any delays and difficulties in fulfilling export commitments would be overcome quickly and that trade conditions soon would return to normal. Recently they have been less optimistic, however, and refuse to speculate when solutions will be found to the economic dislocations caused by the "leap forward" and communalization campaigns.

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

PEIPING "WARNS" WASHINGTON ON PARACEL RECONNAISSANCE

Peiping has recently issued "serious warnings" 50, 51, 52, and 53, charging US naval aircraft with "violating the skies" over the Paracel Islands, referred to as part of Kwangtung Province, 300 miles to the north. These warnings of "intrusions" are the first to involve the islands, although a long series of similar protests have alleged US violations of Communist-claimed sea and air space along the East China coast.

may be based on the alteration last October of a US naval patrol in the Matsu area. When a portion of this patrol near Matsu ceased, the continuous warnings concerning it also stopped.

The Chinese Communists have maintained a permanent colony in the Paracels since 1955. In its intensive effort to exploit the limited natural resources, Peiping within the past six months has increased the colony's size; an estimated 500-600 Chinese now are engaged in fishing and in excavating guano deposits. Most of this activity is centered around the base at Woody Island in the Amphitrite group, although construction has recently been observed on Lincoln Island, 25 miles to the east.

Chinese fishing junks have visited most of the islands in the Paracels--including the Crescent group, where a small South Vietnamese garrison 45 miles southwest of Woody represents Saigon's "sphere of influence." Several of these Chinese boats and their crews were seized in February and briefly detained by the South Vietnamese. Peiping protested strongly and small Chinese Communist naval vessels were subsequently sighted near Woody, but no further action was taken.

Peiping apparently is determined to defend the Amphitrite operations from any Chinese Nationalist or South Vietnamese attack. The "warnings," however, contain no threat to take military action against American air reconnaissance over the islands. The Communists appear intent on commercial activity and strengthening their claim to the islands.



Peiping appears anxious to stress US "provocations and aggression" against Communist China. It probably feels the Paracel warnings will reinforce its claim to the islands--a claim disputed by Nationalist China and South Vietnam--and might result in elimination of US aerial reconnaissance. Should the patrols be halted, Peiping would probably portray such a halt as implied recognition of Communist claims. Chinese belief that the "warnings" might result in an end to the patrols

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

SITUATION IN KERALA STATE

Agitation against the Communist government in India's Kerala State has been intensified following high-level Congress party meetings in New Delhi. Clashes between Communist-directed police and demonstrators continue, with nearly 20,000 arrested thus far. The Congress party's top executive board on 29 June gave qualified support to the three-week-old opposition campaign by calling for general elections in Kerala on grounds that the Communists no longer represent majority opinion in the state.

Prime Minister Nehru returned from his 22-24 June visit to Kerala apparently convinced that the anti-Communist movement had wider popular support than originally estimated and that the local Congress party could not be withdrawn from the agitation. Nehru conferred with the Congress high command in New Delhi from 25 to 29 June to consider charges that the party was using "unconstitutional" methods to force the Communists out of office. While no firm decision either to condemn the agitation or give it full support apparently was taken, the national leaders' neutral position has been interpreted by state party chiefs as a green light to step up the campaign.

The president of the Kerala Congress party--who was summoned to New Delhi to join the discussions on 29 June--at the same time has been persuaded to direct the party's effort into more con-

stitutional channels. A new phase of "absolute noncooperation" has been launched aimed at forcing the Communists to submit to immediate elections. One tactic being considered by opposition strategists is to paralyze the state administration through mass resignations of non-Communist civil officials. Congress leaders in Kerala are receiving increasing cooperation from other opposition parties, who appear equally determined to press the agitation until the Communists are ousted.

The Communist party's national leaders maintain that the Kerala government will not resign under pressure and that there is no proof that new elections are needed. The party's general secretary on 30 June condemned the Congress high command's call for elections as "dishonest" and a "complete endorsement" of the opposition's "undemocratic" demand. Communist officials in Kerala may decide to revert to repressive police action to intimidate the agitators.

A renewal of serious violence seems likely. Catholic and Hindu communal leaders--under less restraint than political leaders--will be encouraged to strengthen their resistance to the government as well. Extremists may try to touch off widespread disturbances so that New Delhi will have sufficient cause to suspend parliamentary government and impose direct rule.

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THAI - NORTH VIETNAMESE REPATRIATION TALKS

Negotiations on the repatriation of the approximately 50,000 Vietnamese refugees in northeast Thailand opened on 20 June in Rangoon between rep-

resentatives of the North Vietnamese and Thai Red Cross Societies. The talks, an important departure from Thailand's policy of avoiding direct contact

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

1 July 1959

with North Vietnam, climax months of serious consideration of the refugee problem by the Thai authorities.

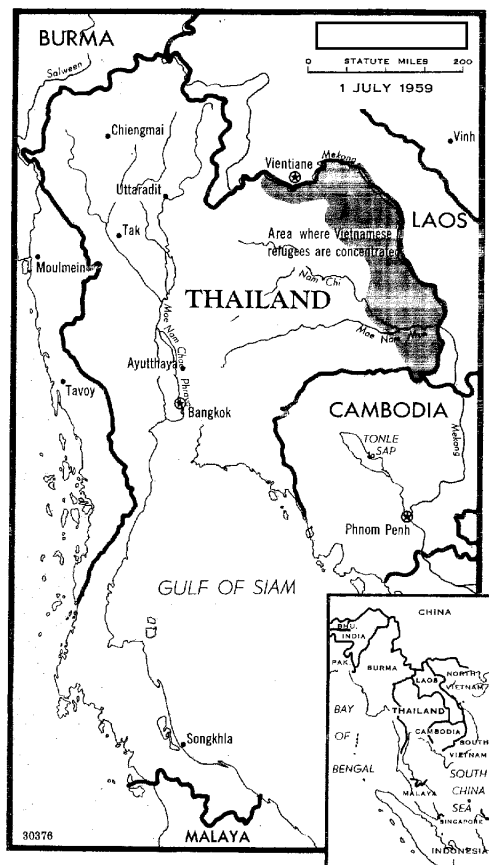
Thailand regards the predominantly pro-Communist refugees as a security threat in the northeast and appears determined to repatriate them--even at the risk of offending South Vietnam. Practically all of the refugees came originally from North Vietnam or are de-

of the International Committee of the Red Cross (ICRC), has made on-the-scene studies of the refugee communities and acted as informal negotiator between the Thai and Vietnamese governments. He is sitting in on the talks in Rangoon, but they have bogged down in a procedural dispute about his role. The North Vietnamese are trying to minimize his part in an obvious effort to give the appearance of a direct confrontation between North Vietnam and Thailand. The Thais insist, however, that Durand, as ICRC representative, play a central role.

Durand is considerably less optimistic than he was a few months ago. He now believes it likely that the North Vietnamese representatives will have no specific proposals prepared for the conference and that they will use the Rangoon talks primarily for propaganda purposes, since they have had no previous opportunity for regional contacts of this kind.

North Vietnam is reported to have been "slightly taken aback" at the prospect that most of the 50,000 refugees would opt for repatriation to the north. It would probably prefer to keep them in place, both because of their subversive potential and the problems posed by their resettlement, but it is publicly committed to taking back all who want to return, and it may consider the propaganda advantages sufficient to allow an eventual settlement.

The recent successful conclusion of the Geneva negotiations on the repatriation of Koreans in Japan to North Korea may give added impetus for agreement in Rangoon. Bangkok may feel that the precedent established at Geneva giving the ICRC an "advisory" 25X1 role will minimize any adverse reaction from Thailand's Western allies.



scended from inhabitants of the north, and the vast majority feel an allegiance to Hanoi rather than Saigon.

The prospects for tangible results from the present discussions remain uncertain. André Durand, a representative

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

1 July 1959

INDONESIA

President Sukarno, who returned to Djakarta on 29 June from a two-month trip, is consulting political leaders on Indonesia's constitutional crisis and acute financial situation.

25X1 [] eventually Sukarno will request parliament for permission to impose the 1945 constitution by decree, thereby strengthening presidential powers vis-a-vis the legislature.

The Communist party continues its policy of ostensible all-out support for Sukarno and has instructed the party faction in the Constituent Assembly to attend no further sessions of that body unless one is called for the sole purpose of voting the assembly's dissolution. Should the National party adopt the same tactic, the two parties together could block a quorum and thereby prevent further functioning of the assembly. Both the Communist and National parties have publicly called on Sukarno to impose the constitution by decree.

Another problem which had been pigeonholed pending Sukar-

no's return is the resolution of a "mutiny" in the Indonesian Navy and the demand by junior officers for the replacement of Navy Chief of Staff Vice Admiral Subijakto. The admiral appears to be under house arrest. The navy's difficulties appear to stem from discontent with Subijakto's policies and are unconnected with either the provincial revolt or the current political crisis.

The Indonesian Government reportedly has gained the agreement of the Malayan and Singapore governments to deny residence and entry to Indonesian dissident representatives after July. This action, which Djakarta has been seeking for some time, would force the dissidents to transfer their major overseas operations from Singapore to Hong Kong. The greater distance involved is likely to add to rebel difficulties, particularly in their smuggling activities.

Prime Minister Djuanda, who was scheduled to visit Moscow in July, reportedly has postponed his visit in view of the continuing crisis in Indonesia.

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SHANS BECOMING INCREASINGLY TROUBLESOME FOR BURMESE GOVERNMENT

Growing restiveness among Burma's one million Shans, who make up the country's second largest ethnic minority group, is a source of serious concern to the central government in Rangoon. Much of the tension stems from the efforts of the central government, which is dominated by the country's Burman majority, to eliminate the feudal privileges of the 33 sawbwas (petty princes) who have traditionally

ruled the Shans and whose territories make up the Shan State. Many Shans--probably the vast majority of them--fear that Rangoon's drive to remove this "undemocratic anachronism" is merely a cloak for the "Burmanization" of the Shan State. The mutual distrust of the Burmans and the Shans is of long standing and borders on open hostility in many cases.

SECRET

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CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

After several years of dicker-
ing, the central government
and the sawbwas finally came to
terms this spring regarding the
phased abolition of the sawbwas'
privileged position in Shan
State affairs. In return for the
formal renunciation of their
judicial and administrative pow-

been theirs by appointment. Un-
der the Burmese constitution,
control of the minority state
governments is exercised by the
members of both houses of parlia-
ment from the respective states.

Contrary to expectations,
the formal agreement between
Rangoon and the sawbwas has ag-
gravated, rather than reduced,
tensions. The Ne Win govern-
ment's sensitivity and concern
over developments in the Shan
State are reflected in the un-
usual security precautions it
has imposed on travel by for-
eign nationals there. It is
also reflected in a recent ap-
peal to Shan youths not to join
a group of Shan dissidents which
has been sporadically attacking
Burmese Army installations in
eastern Burma near the Thai
frontier. This appeal is the
first open admission by Rangoon
that there is serious trouble
in the Shan State.

Rangoon's difficulties in
containing the Shan dissidents,
whose strength is variously es-
timated at from 1,000 to 5,000,
will be further complicated if
the 3,000 Chinese Nationalist ir-
regulars who operate in the same
general area carry out their
threat, contained in a recent
letter to the Burmese Government,
to support the Shans with weapons
and ammunition. Chinese National-
ist - Shan collaboration would
negate any hope the Burmese Army
might have of suppressing the
Shan dissidents. It might better
enable the latter to feed on dis-
content in other parts of the
Shan State to swell their ranks
and extend their operations. Such
a development would weaken Ran-
goon's authority in a large area
contiguous to Communist China and
make more difficult the suppres-
sion of the several other insur-
gent groups still in the field in
Burma.

ers, the princes received cash
equivalent to 15 times the an-
nual revenue of their respective
principalities. The sawbwas are
guaranteed continued control of
the state government until at
least 1964, at which time they
will have to contest in free
elections for the 25 seats in
the upper house of the national
parliament which had hitherto

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

1 July 1959

COMMUNISTS LOSE STRENGTH IN ICELANDIC ELECTIONS

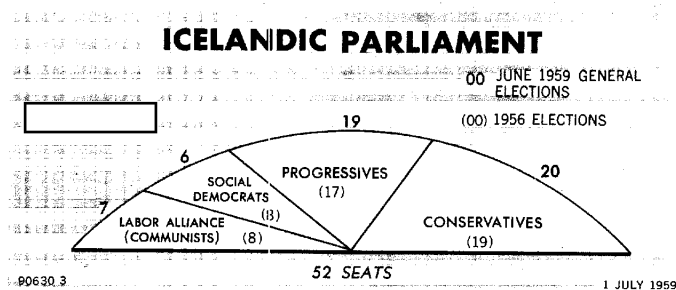
The Communist-dominated Labor Alliance suffered a setback in the general elections in Iceland on 28 June, losing some 20 percent of its popular vote and one of its eight seats in the 52-member Parliament. The pro-NATO Conservative party and the largely rural and isolationist Progressives both increased their representation, gaining one and two seats respectively. The Social Democrats, who with the tacit support of the Conservatives have been conducting a minority government since last December, lost two seats.

The Communists pushed hard on the popular issue of the fishing-limits dispute with Britain and the dormant issue of American forces in Iceland, but apparently failed to benefit from either one. All parties oppose any concessions to Britain on fishing limits.

The Social Democrats with conservative support will try to form an interim government, with the objective of passing for the necessary second time the electoral reform bill, which will partially rectify the heavy overrepresentation of the rural areas. On the basis of their considerable gains,

however, the Progressives will challenge the Conservative - Social Democratic group and attempt to bloc electoral reform.

Despite their losses, the Communists are in a key position. The Conservatives and Social Democrats need their support to assure final passage by the new Parliament of the electoral reform bill. Although the Communists are pledged to elec-



toral reform, as a price for their cooperation they may seek assurances of representation in the government to be formed after the fall general election.

In the autumn elections which must follow the second passage of the reform bill, the Progressives are likely to lose strength to the other three parties. The Conservatives and the Social Democrats would probably command a firm majority in the Parliament, which would be expanded to 60 seats, and they would be in a position to form a viable coalition government.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

PART III

PATTERNS AND PERSPECTIVESINDIGENOUS MINORITY PROBLEMS IN SOUTHEAST ASIA

Throughout non-Communist Southeast Asia, indigenous minority groups constitute elements in the national societies which are highly susceptible to dissidence and subversive activities. The power of large alien groups such as the Overseas Chinese and Indians--and, to a lesser extent, such displaced local groups as the Vietnamese refugees in north-eastern Thailand--has long been recognized and feared by the national governments. Minorities which have no prospects of foreign support, however, have generally been ignored and even repressed--the national governments often overriding or undermining their cultural attainments and group interests.

Communist China and North Vietnam have already exploited these tendencies to gain influence with the Laotian, Cambodian, and Vietnamese minorities and, through the Burmese Communist insurgents, have on occasion assisted the Karen rebels.

The minorities of Southeast Asia vary in size, importance, and cultural attainment. The Shans of Burma, numbering about 1,000,000, have their own state within the national government and a tradition of a hereditary feudal form of government. Like the Shans, though less numerous, the Kachins form a well-defined ethnic unit as Burma's northern buffer state bordering upon China and Tibet. At the other end of the spectrum are the linguistically and culturally disparate "montagnards"--hill tribes--of the Laotian-Cambodian-Vietnamese border area and the scattered aborigines of the Malay peninsula. Sharply differentiated from one another, these groups have in common their fierce pride in their own organizations

and cultural patterns and an intense fear of being swallowed up by the alien culture of the ethnic majority.

Burma

The ethnic diversities in Burma were recognized even before independence as a potential

INDIGENOUS MINORITIES OF SOUTHEAST ASIA

(ESTIMATES)

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BURMA (total population 20,000,000)

Chin	423,000	} Estimates of 1953 projected from 1931 census.
Kachin	361,000	
Karen	814,000	
Kayah	60,000	
Shan	1,000,000	

CAMBODIA (total population 5,000,000)

Ethnic minorities 150,000

LAOS (total population 2,100,000)

Statistics are inadequate for any estimate of the size of minority groups. However, the Meo and Kha peoples, together with lesser minorities, make up approximately half the total population.

MALAYA (total population 6,250,000)

Aborigines 100,000

PHILIPPINES (total population 23,000,000)

Moro 1,000,000

THAILAND (total population 22,000,000)

Malay 600,000

SOUTH VIETNAM (total population 12,100,000)

No minority figures available.

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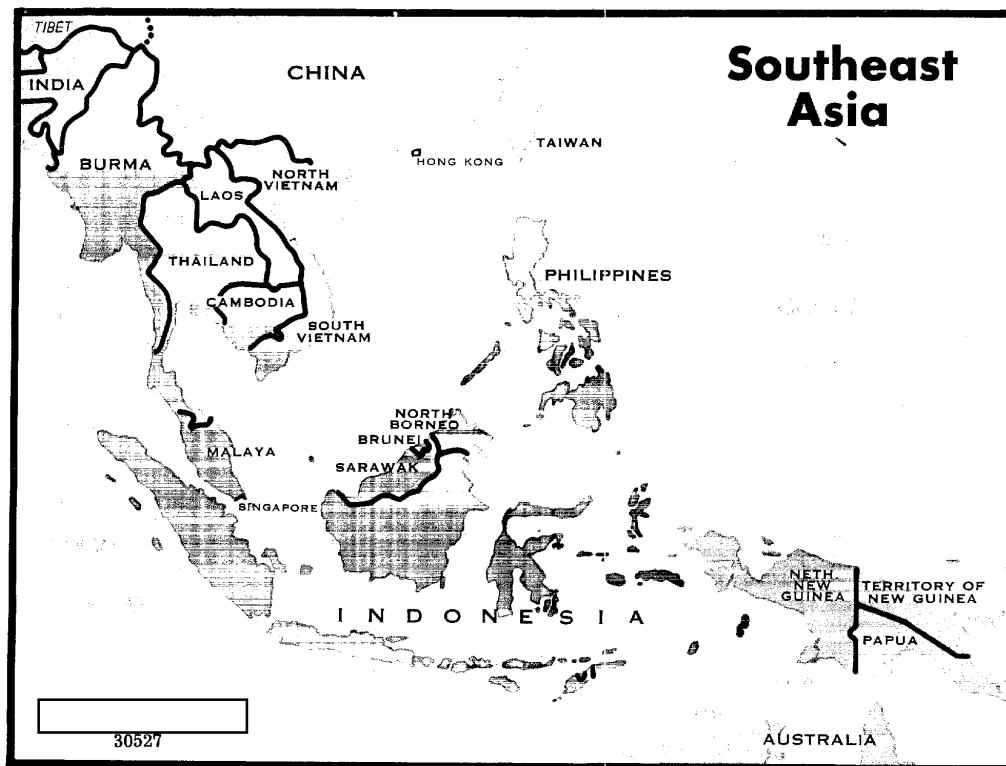
1 JULY 1959

source of trouble. Special efforts were made to ensure peaceable working relations between the dominant Burmans, making up 70 percent of the population, and the ethnic minorities. The Shans, Kachins, Karens, and Kayahs have all been given their own states within the union, while the Chins have a special

~~CONFIDENTIAL~~~~SECRET~~

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

1 July 1959



administrative district. By specific provision of the constitution, the minorities were given representation in the upper house of parliament out of proportion to their population and, by the decision of the Burman-dominated Constituent Assembly, the provisional presidency of the union was given to a Shan feudal prince. The current President is a Karen named in an effort to gain support of that minority.

Despite these efforts, Burma has been plagued with minority dissidence almost continuously since independence. The Karen National Defense Organization has been ruthlessly fighting for an independent state. Its leaders would throw in their lot with any power attempting to overthrow the central government in return for a guaranteed independent Karen state. On different occasions in the past they have cooperated with the various Burmese Communist insurgents, the Chinese

Nationalist irregulars, and the Mon ethnic minority. They have continuously sought the help of the Thai Government and today are attempting to cooperate with incipient Shan dissidence in eastern Kengtung State. On Burma's western frontier the Arakanese, ethnically Burman but culturally divergent, have continuously fought in parliament for an autonomous Arakanese state, while the Mujahid, Moslem bandits in the Arakan, have been a source of dissidence along the Pakistan border.

The sensitivity of the minorities to Burman domination has been reinforced by Rangoon's failure to make any specific contributions to minority welfare. The government's educational program requires the study of Burmese and makes no place for the minority languages or cultural heritage. The economic development programs have been centered almost entirely in the Burman-dominated Rangoon

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CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

and Mandalay areas. In the political arena, despite formal concessions to the minorities, the government program of "Burmanization" has tended to undermine the status of indigenous as well as alien minority groups.

Laos

Minority peoples make up almost half the population of Laos but, except for occasional attempts at exploitation, have been neglected by the Lao-dominated government. The domestic pro-Communists, on the other hand, have presented themselves as the champion and the political vehicle of the minorities and, unlike the government, have taken special care to respect their cultural patterns. As a result, the candidates of the Communist-front Neo Lao Hak Zat (NLHZ) party--political successor of the rebel Pathet Lao--in the 1958 elections won heavy support from the Kha tribesmen, who form a majority of the population in several provinces of southern Laos.

The NLHZ has also made considerable inroads among the heavy concentrations of Meo tribesmen in northern and central Laos. The recent escape and successful resistance of the former Pathet Lao battalion was made possible, in part, by the sympathy and support of the Meo tribesmen in east-central Laos.

Cambodia

Although Cambodia is ethnically the most cohesive country in Southeast Asia, with most of its minority elements fairly well integrated into the Khmer community, a small number of hill peoples inhabit the remote northeast near the Vietnamese border. Shunned by the Cambodians, these primitive aborigines are fair prey for Communist propagandists, who have been active in the area since it was occupied by the Vietnamese Communists during the Indochina War. While these tribesmen pose no threat to the

Cambodian Government under present conditions, they are a potential source of dissidence, available for exploitation should the state of Cambodia's relations with the Sino-Soviet bloc make this desirable.

South Vietnam

South Vietnam, on the other hand, already has a serious problem of Vietnamese Communist agitation among the mountain tribesmen, who predominate in the strategic highland plateau in Central Vietnam. The tribesmen's basic animosity toward the Vietnamese has been intensified by the Diem government's ambitious development and resettlement program in the plateau area, heretofore their exclusive domain. The Communists, through agents and radiobroadcasts in various native dialects, are active in fanning unrest in the highlands and backing an embryonic autonomy movement. Saigon is concerned over these developments and has taken steps designed to allay the resentment and suspicion. Inherent Vietnamese prejudice against the aborigines, however, remains an impediment in implementing the reforms.

Thailand

Thailand's indigenous minorities, like those of Cambodia, are mainly assimilated into Thai society. Only along the border with Malaya is there any potential minority dissidence. Moslem Malays in the southern provinces of Thailand have been the indirect victims of Bangkok's efforts to assimilate the large Chinese minorities. In the past, when pressures to conform to Thai standards of language, religion, and culture have become too strong, these Malays have threatened to secede and join their Malay kinsmen to the south. The Thai problem, however, is moderate compared with those of Burma, Laos, and Vietnam, as the government has shown itself sensitive to local demands and has granted a large degree of local autonomy to the Moslem minority.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

Malaya

Often overlooked in the major problem of Malay-Chinese relations in the Federation of Malaya is the status of the 100,000 aborigines. Although they are scattered throughout the jungle and make little trouble on their own, they served during the height of the Communist terrorism as a source of supplies and information for the insurgents. In the event of renewed insurgency, these jungle people, out of fear or ignorance, would probably aid jungle-based forces against the government.

Philippines and Indonesia

The Philippines and Indonesia present problems somewhat different from those of mainland Southeast Asia.

In the Philippines, although the population is a heterogeneous mixture of tribal and linguistic groups, a common sense of nationality and religion tends to bind the country together. Only the Moslem Moros of southern Mindanao stand aloof. Representing the farthest eastward spread of Islam in the 16th century, they have withstood

Spanish, American, and Filipino efforts at integration and centralized control. On the other hand, unless swept up into a pan-Islamic movement which might have had its roots in Indonesia, they do not appear particularly vulnerable to either Communist propaganda or other outside influences and are satisfied with the autonomy informally accorded them by Manila.

While minority differences in Indonesia are potentially explosive--and even now one of the basic problems which the government must overcome--the differences are essentially geographic in origin. The recent Indonesian revolt and the suspicions of the central government on the part of residents of Sumatra, Celebes, and other islands illustrate the outer islands' distrust of Java and Javanese domination. Currently, however, this divisive factor is not providing Communists the opportunity for penetration among the minority groups. On the contrary, as the Communist party has gained adherents in Java, there has been a strengthening of anti-Communism elsewhere as a corollary of anti-Javanese sentiment.

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LATIN AMERICAN FINANCIAL PROBLEMS AND THE INTERNATIONAL MONETARY FUND

Political repercussions from financial reform measures stipulated by the International Monetary Fund (IMF) as a condition of assistance have led to critical situations in several Latin American countries, largely because of exploitation of the austerity aspects of these measures by extreme nationalist and Marxist-influenced groups. At the same time, the over-all economic outlook in Latin America is improving, with export earnings expected to be back at their 1957

peak by the end of this year and with new investment capital becoming available from US and international lending institutions.

Undermining of the IMF-sponsored stabilization efforts would intensify deficit financing, inflation, and foreign-exchange maladjustments, and prevent the area from taking advantage of these favorable developments.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

Export Earnings

Renewed economic expansion in industrial countries of the Western world promises to reverse the decline in all Latin American export earnings, which fell by 8 percent or \$700,000,000 in 1958 and occasioned payments crises or financial stress in over half the 20 republics. Western Europe's imports of raw materials--which normally account for 40 percent of Latin American exports, but had fallen off 15 percent in the recent recession--are expected to go up 5 percent in 1959 and by year's end, as expansion gains momentum, to reach the peak 1957 rate. Latin American exports to the United States, amounting to about 45 percent of the total, held up well in volume but declined in price in 1957-58; they are expected to rise moderately in 1959.

World prices of several primary commodities important in Latin American exports--non-ferrous metals account for one third of the total--such as copper, lead, tin, zinc, and wool have already strengthened appreciably in response to better business conditions in the United States and restocking in anticipation of renewed expansion in Western Europe. Parallel increases in prices of coffee, sugar, cotton, wheat, and petroleum are not expected because of the world oversupply of these commodities.

WORLD COMMODITY PRICE INDEXES

1952=100

	1956 MID-JUNE	1957 MID-JUNE	1958 MID-JUNE	1959 MID-MAY
ALL ITEMS	92	95	87	91
FOOD	90.8	98.8	94.8	84.9
FIBERS	81.5	95.9	80.1	82.3
METALS	95.6	79.7	70.8	78.0
OTHER ITEMS	101.8	107.2	104.3	131.9

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1 JULY 1959

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fee, sugar, cotton, wheat, and petroleum are not expected because of the world oversupply of these commodities.

Some progress has been made, however, toward multilateral control of marketing to discourage further serious decline in the price of coffee, which vitally affects the economies of Brazil, Colombia, Ecuador, and the Central American countries.

Capital Funds

The prospects for additional investment capital are improved. Early in May a special committee of the Organization of American States (OAS), meeting in Buenos Aires in connection with the establishment of the new Inter-American Development Bank long sought by Latin Americans, noted that "capital exporting countries have recently taken important initiatives to increase capital resources of both national and international public lending institutions" and that "the establishment of the inter-American bank is a timely step toward meeting Latin American needs for external capital for development purposes."

Ratification of the new bank's charter by 85 percent of its anticipated voting membership is expected by the end of this year. Of the total capitalization of \$850,000,000, the United States will contribute \$50,000,000 by September 1960--with additional installments later--and also underwrite \$200,000,000 of the callable capital

GOLD AND FOREIGN EXCHANGE RESERVES
(AS PERCENT OF ANNUAL IMPORTS)

	1955	1956	1957	1958
UNITED STATES	176	160	161	147
LATIN AMERICA	42	46	41	37
ARGENTINA	40	34	24	10
BOLIVIA	7	5	1	1
BRAZIL*	38	50	32	34
CHILE	22	21	10	13
COLOMBIA	20	20	30	44
MEXICO	47	47	36	33
PERU	17	19	9	8
VENEZUELA	48	75	77	71

*Including \$200,000,000, or about 40%, of the reserves not freely available because committed as collateral for a gold loan.

90629 2A

1 JULY 1959

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

to back up issues of bonds by the bank. The United States will put up additional funds for the bank's special "soft loans"--i.e., loans in inconvertible currencies.

Existing lending institutions are preparing to expand their activities. The International Bank for Reconstruction and Development (IBRD)--the World Bank--is expected to double its capitalization by September. Other things being equal, this would permit in the current fiscal year loans to Latin America of \$240,000,000, as compared with \$120,000,000 in fiscal 1958. Among national lending institutions, the recent 40-percent increase in the lending authority of the United States Export-Import Bank (Eximbank) would similarly permit a rise in its 1959 development loans to Latin America--to \$200,000,000 from the \$140,000,000 advanced in 1957-58.

Private investors in Western Europe and Japan, as well as the United States, also appear disposed to provide larger capital resources to Latin America. There are already indications of a resumption of the rising trend in US private long-term capital flowing to the area--a trend reversed in 1958, when the amount fell to about \$400,000,000 from an average of \$600,000,000 over the previous four years.

Financial Stability

The United Nations Economic Commission for Latin America (ECLA) has recently attributed the increasing severity of Latin America's balance-of-payments problem to inflation aggravated by governmental attempts to achieve higher living standards through development programs based on misguided economic policies, particularly in the fiscal and monetary fields. Since 1957 the IMF has used a large part of its resources--which are also to be increased by 50 percent this

autumn--to relieve and correct these payments problems in Latin America. During the year ended last March it extended financial assistance to 13 Latin American countries, compared with only seven elsewhere.

In providing increasing balance-of-payments assistance to Latin America, the IMF is extensively employing--in eight of the 13 client countries--a technique used with conspicuous success in assisting the restoration of financial and economic balance in Western Europe following the Suez crisis. Aid in meeting payments deficits is made contingent on a commitment to the IMF--politically much easier to give than to an individual lending nation--to undertake a stabilization program financed jointly by the IMF and other credit sources such as the IBRD or Eximbank. The beneficiary nation agrees to reduce budget deficits, curtail credit, and correct foreign-exchange maladjustments. In return, it receives not only the IMF balance-of-payments assistance, but also more massive financial aid from other credit sources which it can apply to specific economic needs such as development of resources.

Commenting recently on the increased commitment of Latin American countries to stabilization agreements, Per Jacobson, chairman of the IMF Executive Board, cited as the most gratifying aspect of present-day developments the growing awareness of the dangers of inflation and of the importance of financial stability for economic growth. Jacobson referred to the temptation to governments of the less-developed countries--short of capital and under strong pressures from rapidly growing populations for higher living standards--to resort to inflationary expansion of credit in efforts to accelerate development. He also conceded that it is often painful and politically difficult to take

SECRET

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CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959

the alternative approach of avoiding inflation and encouraging investment by cooperating in IMF stabilization programs, since this approach involves "some austerity."

Outlook

The present position of several Latin American governments in respect to IMF-sponsored stabilization measures illustrates both the economic advantage and the political difficulty of carrying out the financial-reform aspects of such programs.

In Mexico, a stabilization program sponsored by the United States and the IMF was readily accepted in March of this year and has been adhered to since. Benefits are already apparent in a stronger currency, less acute inflation, and improved foreign trade partly as a result of budgetary and credit restraint.

On the other hand, the success of governments of other countries which have participated in IMF-recommended financial reforms--including Chile, Bolivia, and particularly Argentina--has been seriously jeopardized by formidable political resistance from both narrow nationalist and leftist-oriented labor elements. This opposition enjoys widespread support in its attacks on the financial reform measures--particularly the austerity aspect requiring anti-inflationary restraint in wage increases--as intervention by the United States in domestic affairs.

The Argentine Government's efforts to implement its ambitious financial rehabilitation program, in close collaboration with the United States and the IMF, is particularly vulnerable because of the relatively drastic measures required following

a decade of mismanagement. Peronista-Communist cooperation in strike resistance, the discontent of the military, and the resulting violence are adding to the difficulty.

Brazil's attitude is reflected in its recent suspension of negotiations with the IMF after refusing to make additional anti-inflationary commitments to obtain further aid and after failing even to carry out previous commitments. This attitude derives largely from excess confidence in the country's abundant resources as a basis for independent growth, as well as fear of the kind of political unrest Argentina is experiencing under its stabilization program.

Such confidence is supported by an annual industrial growth of 8 percent over the past decade. However, the resources remain largely undeveloped, Brazil continues dependent on coffee for 60 percent of its foreign exchange, and the high growth rate has been achieved only at a cost of severe inflation and repeated payments crises.

If Brazil flouts the IMF by obtaining assistance elsewhere or if other countries conspicuously reject or undermine IMF stabilization programs, there will be a strengthening of the widespread opposition throughout Latin America to financial stability as the approach to economic health and development. Resort to inflationary wage increases and discriminatory exchange rates will be encouraged, with resulting impairment of competitive positions in international trade and export earnings. There would be a corresponding discouragement to the influx of foreign capital prospectively available to ease Latin American economic difficulties.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

1 July 1959

POLITICAL TENSIONS IN NIGERIA

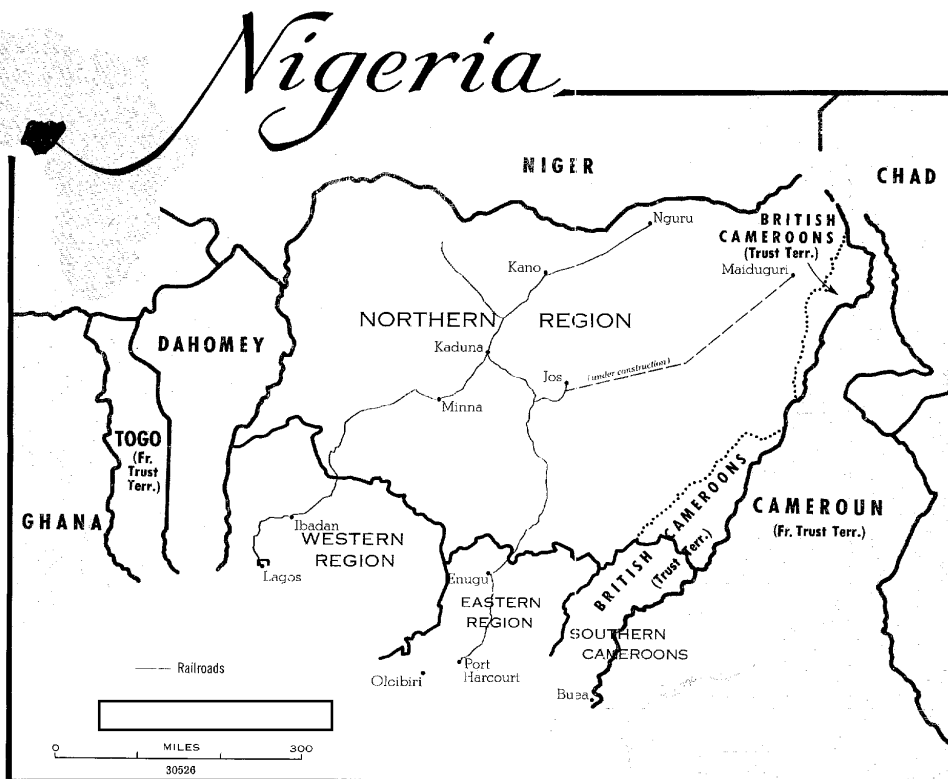
Britain's efforts to prepare its colony of Nigeria for independence in October 1960 have resulted in the development of political institutions which function under British guidance but which may disintegrate under the impact of Nigerian tribal, religious, and political disunity. Elections this fall will provide a test of national cohesion, and could establish the pattern of political power for the emergent nation. If it can achieve unity, Nigeria could become an important spokesman for Negro Africa and exercise a moderating influence on West African nationalism.

Regional Disunity

Nigeria--with a population of 35,000,000, the largest in Africa--is a British political creation dating from 1914. It lacks political and social unity;

its three main regions, which have local self-government, are divided along tribal and religious lines, and cooperate largely because of British rule.

The two southern regions have experienced the greatest amount of political evolution. European contact, dating from the early 17th century along the Gulf of Guinea, began with the slave trade and was followed by commercial and missionary interest. The Western Region is peopled predominantly by Yoruba tribesmen who have had centuries of experience in statecraft and whose strong tribal loyalties conflict with the pan-Africanism espoused by Ghana's Prime Minister Nkrumah and Guinea's President Sekou Touré. There is a sizable Anglican Christian as well as Moslem influence among a pagan people. The Western Region's prime minister,

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CURRENT INTELLIGENCE WEEKLY SUMMARY

1 July 1959



AWOLOWO



AZIKIWE



SARDAUNA OF SOKOTO

Chief Obafemi Awolowo, is generally considered a leading African moderate.

The Ibo tribesmen of the Eastern Region are extroverts, informal, and friendly to Americans. Their tribal ties are weaker than those of the Yoruba and they are more adaptable to European innovations. As traders they have penetrated to all parts of West Africa and they are eager supporters of pan-Africanism. Roman Catholicism is a considerable force in this region. The prime minister, Dr. Nnamdi Azikiwe, studied in the United States.

Nigeria's third division--the Northern Region--probably is the scene of the greatest political tension. Although containing over half of Nigeria's area and population, two-thirds of it Moslem, the region has few local administrators or technicians. Only about 2 percent of its population is literate in the Roman script and 5.5 percent in Arabic. The agricultural masses have been kept in ignorance by the Moslem rulers of the area's city states, and political reform is coming slowly. The rulers are firmly pro-

British and have relied on London for protection against the dynamic nationalist forces in the south. The rulers have sympathetic ties with the Sudan, but pro-Nasir sentiment is not yet of significance. The regional prime minister is the Sardauna of Sokoto, Alhaji Sir Ahmadu Bello.

The Nigerian constitution helps the forces of isolation in the north because matters affecting local government, the judiciary, and education are subject to local regional control. The northern regional government resents the non-Moslem influence of technicians from the south and hopes to eliminate them from its civil service, commerce, trade unions, and university program. The region has not been able to remain aloof from political evolution, however; the franchise has recently been extended to all men, and judicial reforms will give the people access to English law instead of customary Moslem justice.

Political Factionalism

In consultation with the Nigerian leaders, London in 1957 and 1958 established a Federal House of Representatives, an office of prime minister, a cabinet,

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****1 July 1959**

and a federal police force. The 312 seats in the federal legislature--not counting the eight representatives from the British trust territory of Cameroons--are apportioned among the various regions on the basis of population. The North has 174 seats, over half of the total; the East, 73; the West, 62; and the federal capital of Lagos, 3.

One-party rule appears improbable because of the regional limitation of each major party and the inability of the north's governing party to win enough of that region's seats. At present the three major parties are represented in the federal government with a northerner, Abubakar Tafawa Balewa, as prime minister. In the House of Representatives, the Northern Peoples' Congress (NPC) has 110 seats, a

**BALEWA**

coalition of the National Council of Nigeria and the Cameroons (NCNC) and the Northern Elements Progressive Union has 109 seats, and the Action Group has 93. The political confusion leads to coalition government and unrealistic temporary alliances between regional parties with conflicting principles.

The Northern People's Congress--led by the Sardauna of

Sokoto--is expected to win the largest number of seats in the December elections. Its strength rests on the Moslem rulers' support and their influence over the backward peasantry, but it is losing influence in a number of urban constituencies and may be sharply challenged by the Action Group in 70 districts of the non-Moslem section of the Northern Region.

The leaders of the NPC, in order to achieve a legislative majority, have renewed their working arrangement with the leading party of the Eastern Region, the NCNC, led by regional Prime Minister Azikiwe. The bonds are weak, however, and might be broken abruptly if either party should feel it could do better separately. The NCNC is a more extremist party and is separately allied with the main opposition group in the north.

Nigeria's best organized, most efficient, and best financed party is the Action Group (AG) of Chief Awolowo. Its appeal is strong in the Western Region, in minority areas in the Eastern Region, and among the non-Moslem areas of the north, but it is unlikely to gather enough seats to defeat the NPC-NCNC coalition. In the event of a surprising show of strength and capture of legislative control, the threat of AG rule might lead to a violent reaction in the Moslem north and regional secession because of Awolowo's outspoken criticism of a "reactionary, feudal, and Moslem North."

The political confusion in Nigeria is increased by the under-the-surface controversy over the continued leadership of federal Prime Minister Balewa. Balewa was originally selected as an agent of the Sardauna of Sokoto, who declined to enter federal politics, but recently there has been a serious falling out between the two men, and Balewa now is not even assured of

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

1 July 1959

sufficient support in his own constituency. Balewa, who is not of royal blood, is unacceptable to the northern emirs now that the post of federal prime minister is to assume real power.

West African Nationalism

Most of the Nigerian political leaders are strongly pro-Western in orientation and believe that Nigeria should exert a moderating role in West African politics. Awolowo, Balewa, and the Sardauna of Sokoto have shown considerable coolness toward Nkrumah's efforts to promote African nationalism, and they have leaned toward the more conservative proposals of President Tubman of Liberia for a looser association of African states. Azikiwe, on the other hand, has favored the Ghana-Guinea brand of extremism.

At the time of Nkrumah's February visit to Nigeria, he was not given an enthusiastic

popular reception in the West, and Awolowo reportedly told him that Nigeria would think about West African union only after the consolidation of the Nigerian federation. He also stated that Lagos would not follow the neutralist line of Ghana because a small nation could not afford to be neutral. The Action Group is cautious about pan-Africanism because of a deep distrust of UAR President Nasir's influence in the movement. They also have little confidence in Nkrumah and are determined that the "union" of Ghana and Guinea will not be the nucleus of a West African state.

On the other hand, Azikiwe's NCNC supports a federation of West Africa, it hailed the "union" of Ghana and Guinea, and assisted in organizing the Accra conference of African political parties. Both Azikiwe and Awolowo, however, believe Nigeria must dominate any West African regional union. 25X1

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