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OCI NO. 5882/59

10 December 1959

CURRENT INTELLIGENCE WEEKLY SUMMARY

Document No. 8
 No Change in Class.
 Declassified
 Class. Changed to: TS S (C) **D**
 Next Review Date: 1989
 Auth.: HR 70-3
 Date: 16 Aug 79

25X1

Document No. 8
 No Change in Class.
 Declassified
 Class. Changed to: TS S (C)
 Next Review Date: 1999
 Auth.: HR 70-3
 Date: 20 Aug 79

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

PART I

OF IMMEDIATE INTEREST

REACTION TO PRESIDENT EISENHOWER'S TRIP Page 1

Soviet treatment of President Eisenhower's trip has been limited to factual news coverage and generally moderate and at times favorable commentary. Moscow has adopted a restrained tone, claiming that the trip is an effort to resolve Western differences. The European satellites have only mildly criticized the President's activities. In sharp contrast to Moscow's treatment, Peiping has bitterly attacked the President's trip as a "smoke screen" to cover preparations for war. [redacted]

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SINO-SOVIET RELATIONS Page 4

The divergence between Moscow and Peiping in their treatment of the President's trip reflects the frictions and policy differences between the two regimes. Khrushchev's thinly veiled criticism of Chinese policies in three recent major speeches reflects his determination to restore bloc discipline and unity behind Moscow's lead. [redacted]

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MIDDLE EAST HIGHLIGHTS Page 5

Iraqi anti-Communist elements, embittered by what they regard as another shift of Prime Minister Qasim toward favoring the Communists, may hasten efforts to overthrow or assassinate him. The anti-Communists still do not appear well organized, however, and another abortive attempt would probably rebound further to the advantage of the Communists. The UAR is becoming concerned over Israeli plans to utilize large amounts of Jordan River water. Iranian-Soviet discussions continue regarding the preclusion of foreign military bases from Iran. [redacted]

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PART II

NOTES AND COMMENTS

NUCLEAR TEST CESSATION TALKS Page 1

Soviet representatives at the Geneva talks are seeking to maintain pressure for an early settlement of outstanding issues. Soviet delegate Tsarapkin publicly charged the United States and Britain with "dragging their feet" and privately stressed the need for "mutual concessions," hinting that the USSR might relax its insistence on an unconditional cessation of all tests if the technical experts fail to reach agreement. The Soviet experts in the technical talks continued to defend the validity of the control system recommended by the 1958 Geneva experts' conference. Moscow, however, may be willing to accept minor adjustments in the 1958 report which would not alter the basic conclusion that a control system is technically feasible. [redacted]

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HUNGARIAN PARTY LEADERSHIP ENDORSED Page 2

Hungary's first party congress since the 1956 revolt concluded in Budapest on 5 December and gave the expected solid endorsement to the leadership of party First Secretary Kadar. This was reinforced by Khrushchev's presence and his warm praise for Kadar and his policies. A limited number of personnel changes made in central party organs by Kadar should make the party more responsive to his direction, although there continue to be certain weaknesses. [redacted]

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EAST GERMAN REGIME TROUBLED BY FOOD SHORTAGES Page 4

A number of East German party and government officials are being made scapegoats for the current shortages of meat and dairy products. Party First Secretary Ulbricht may extend the shake-up as a means of getting rid of officials who have questioned his agricultural policies. Despite the loss of prestige, the regime has been forced to restrict the sale of butter and is taking drastic steps to control hoarding and smuggling of foodstuffs. [redacted]

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SOVIET AGRICULTURAL OUTPUT IN 1959 Page 5

Unfavorable weather, including a drought this summer, reduced the yields of most Soviet crops. The grain crop suffered from a reduction in sown acreage as well and apparently was the smallest in five years, or since the development of the New Lands. The cotton crop, on the other hand, grown under irrigation and not affected by the dry weather, apparently was a record crop. The output of livestock products may rise some 10 to 20 percent

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this year, largely because substantial feed supplies have been available from last year's bumper harvest. The grain shortfall this year will be reflected in next year's output of livestock products. [redacted]

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PEIPING RELEASES WAR CRIMINALS Page 7

Thirty former Nationalist officials are among the 33 "war criminals" released by Peiping on 4 December as part of a continuing effort to undermine the stability of the Taiwan government by holding out the prospect of pardons for Kuomintang officials. The restoration to good standing of a large number of "rightists" criticized during the "rectification" campaign of 1957-58 at the same time emphasizes, for the benefit of critics of the regime, Peiping's policy of rehabilitation and redemption. There has been no indication that amnesty will be granted to American prisoners in China. [redacted]

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SINO-INDONESIAN TENSIONS Page 8

The Indonesian Government, determined to carry out its ban on rural alien retailers despite strong Chinese Communist objections, has reaffirmed its deadline of 1 January for implementation of the decree. Personnel of the Chinese Communist Embassy in Djakarta are disregarding a ban on their travel to troubled areas and are encouraging Chinese resistance to government resettlement efforts. Despite continuing difficulties, neither Peiping nor Djakarta seems likely to press the situation to the point of breaking relations. [redacted]

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CEYLON Page 9

The dissolution of Ceylon's Parliament on 4 December and the scheduling of new national elections for 19 March have temporarily ended uncertainty over day-to-day political developments. Prime Minister Dahanayake will head a caretaker government until the elections. Preoccupation with campaign activities may stimulate some unrest and probably will postpone for another three or four months any effort to solve pressing economic problems. It appears that no single party will obtain a majority in the new 151-member Parliament, although moderate elements seem confident of winning considerable support. [redacted]

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LAOS Page 10

A Laotian Government crisis has been temporarily averted by a compromise on immediate political issues reached between conservative and reformist elements in the cabinet. New general elections have been announced for next April, but the door has been left open for further

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postponement. Basic frictions, however, will continue to pose a threat to the Phoui government. The military situation remains generally calm, and the UN team in Laos has begun drafting its preliminary economic survey.

[Redacted]

MALI INDEPENDENCE ARRANGEMENTS Page 11

De Gaulle and leaders of the Mali Federation--composed of the autonomous French Community states of Senegal and Soudan--appear to have agreed in principle that by June 1960 Mali should be independent, but with special contractual ties to France in such fields as defense, foreign affairs, education, and economic aid. Serious discord exists, however, as to when these ties are to become effective, and differences seem likely to develop over substantive aspects as well. Concessions by Mali's present leaders should be exploited by more militant domestic elements who favor a complete break with the Community.

[Redacted]

SAHARAN OIL AND THE COMMON MARKET Page 12

The formal inauguration on 5 December of the pipeline from central Algeria to the Mediterranean coast coincides with accelerated French efforts to find a market for Saharan oil in the European Economic Community (EEC or Common Market). Most of the Common Market countries have serious misgivings about a French plan to impose an EEC internal tax on oil products not refined from "Community" crude, thus giving preference to French supplies. The French can probably have their way, however, if they offer sufficient inducements and make the matter an issue for Common Market "solidarity."

[Redacted]

BRITAIN'S RELATIONS WITH WESTERN EUROPE Page 14

The Macmillan government's proposal that the Western European Union--the one body composed of the six Common Market countries plus Britain--be used for political consultation is a further effort to discourage extension of six-nation solidarity, while proclaiming that Britain is "part of Europe." British support of France on African issues and the Anglo-German defense production arrangement recently agreed to also reflect the current drive to improve Britain's relations with major Western European allies.

[Redacted]

THE NATO MEETINGS Page 15

East-West relations in the light of summit preparations will be the main concern of the annual meeting of the NATO ministerial council on 15-17 December. Other major topics include NATO economic cooperation and the

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status of the military effort. The council is scheduled to reconvene on 22 December to hear a report on the "Western summit" four-power talks. [redacted]

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CONTINUING DIFFICULTIES IN US-PANAMANIAN RELATIONS Page 15

The Panamanian Government may soon publicize its disappointment with the results of recent discussions of US-Panamanian differences and its charges that the United States has made no substantial concessions regarding the Canal Zone. In view of the continuing efforts of extremists to provoke new anti-US disorders, publication of a strongly worded official statement--as threatened by the Panamanian foreign minister--would increase the likelihood of further difficulties in US-Panamanian relations. Nationalistic student elements are reported organizing an anti-US demonstration for 12 December. [redacted]

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BRAZIL PRESSES "OPERATION PAN AMERICA" Page 16

Brazil is intensifying its diplomatic campaign to build support for "Operation Pan America" (OPA), President Kubitschek's proposal for a "dynamic" inter-American effort to speed economic development. Kubitschek considers such an effort essential to combat increasing Communist agitation as well as to meet the needs of the expanding population in Latin America. OPA has gained inter-American support this year and is popular in Brazil. Influential opinion in Brazil sees this plan and the current trade mission to Moscow as the beginning of a policy of greater independence from the United States and giving Brazil an opportunity to exert greater influence in world affairs. [redacted]

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GUATEMALAN CONGRESSIONAL ELECTIONS Page 17

The government of Guatemalan President Miguel Ydigoras has been temporarily strengthened by the results of the 6 December congressional election in which half of the 66 seats were at stake. The President appears assured of a majority in the new congress, which he lacked during his first two years in the presidency. The rightist opposition party suffered serious losses in the election, and the leftist opposition, although still strong, is split by factionalism encouraged by the President. [redacted]

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PART III

PATTERNS AND PERSPECTIVES

COMMUNIST CHINA'S RELATIONS WITH THE NON-COMMUNIST WORLD . Page 1

Communist China's determination to convey an immediate impression of strength is a major influence in its relations with non-Communist countries and in its reluctance to go along wholeheartedly with Moscow's recent peace initiatives. The Chinese apparently believe the Kremlin's "detente" approach, if followed by the weaker Peiping regime, would tend to freeze the status quo in the Far East, leaving unfulfilled such paramount Communist aspirations as the "liberation" of Taiwan. In addition, the Chinese consider a "struggle" atmosphere as essential to the development of their domestic economy to the levels of the more industrialized countries. Hence their assertion that Peiping, as a strong nation, is receptive to "peaceful" solutions but ready to back its claims by power. [redacted]

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FRENCH OVERSEAS AID PROGRAM Page 5

France's ability to maintain strong ties with its overseas areas, particularly Algeria, will depend to a large extent on the scope of the French economic and social aid program. French economic assistance to Algeria and to members of the French Community may exceed \$400,000,000 in 1960. Even if De Gaulle's five-year Algerian economic development program is successful, Algeria's continuing economic assistance requirements will be staggering. The European Economic Community can provide some capital to fill the gap, but De Gaulle will probably demand--perhaps at a summit meeting--broad international cooperation to provide the necessary funds. [redacted]

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CUBA UNDER FIDEL CASTRO Page 8

Prime Minister Fidel Castro's frequently stated objective is the rapid imposition of drastic social and economic reforms so as to improve the lot of Cuba's lowest income groups and, by a more efficient organization of production, to produce more wealth and a greater degree of economic self-sufficiency. He uses these objectives to justify the establishment of tight controls over the economy. Under the land reform program, extensive holdings have been taken over without formal expropriation or compensation and turned into cooperatives under control of the National Agrarian Reform Institute. In attempting to build an authoritarian political machine based on mass support, Castro is turning more and more to Communist-oriented advisers, and Communists are benefiting from the demagogic tirades against the United States that Castro uses to mobilize his mass following. [redacted]

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PART I

OF IMMEDIATE INTEREST

REACTION TO PRESIDENT EISENHOWER'S TRIP

Moscow and Satellites

Soviet media are covering the President's activities by combining reasonably factual news coverage with moderate and at times commendatory commentaries. Prior to the President's departure, Soviet commentators established the general line that the tour was the latest move in a flurry of Western diplomatic activity aimed at reconciling Western divergencies before the Western summit meeting in Paris on 19 December. While comment directed to both domestic and foreign audiences during the trip has taken a favorable view, propagandists have continued to note "conflicting tendencies" in the West which make the President's task of establishing a unified approach to a summit meeting "very difficult."

Moscow has published factual summaries of each communiqué issued at the conclusion of the President's talks. Commenting on the visit to Rome, Izvestia portrays the President as a man of "good will," who, together with Khrushchev, "opened the way at Camp David to a normalization of the international situation." A more discordant note, however, was sounded in a 7 December broadcast, which objected to the implication in the Rome communiqué that the policy of establishing missile bases in Italy would be continued. Moscow also alleges a failure to reach "full unanimity" in the Rome meeting.

In dealing with the visit to Ankara, Moscow avoided the subject of missile bases, and limited its comments to censuring Turkish leaders for their efforts to persuade the President "to revert to his former firm policy." Pravda and broadcasts for internal audiences suggest that the Ankara communiqué revealed US-Turkish differences over full US membership in CENTO.

Moscow's commentary on subsequent phases of the trip has continued to be relatively amicable in tone, with no direct criticism of the President. A broadcast on the communiqué issued in Karachi noted a failure to mention such problems as relaxation of tension and disarmament.

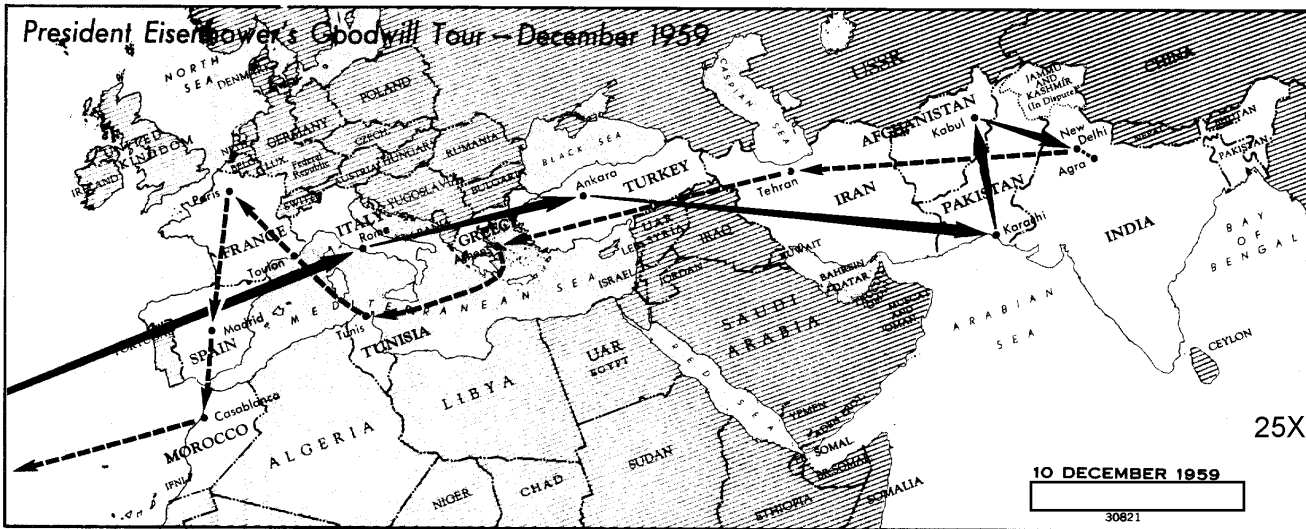
Eastern European propaganda media are making only brief mention of the President's arrivals, departures, and meetings, mostly in newscasts on the home service. Except in Poland, satellite newspapers are giving little attention to the trip. In general the commentaries are more friendly toward the United States than usual, especially those in East Germany, which used the occasion to intensify propaganda against West Germany--Adenauer specifically--as the chief opponent of peace but to place the United States, Britain, and France on the side of "good" with Khrushchev and East Germany.

A Czech commentator, however, cautioned that the Dulles

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foreign policy may be so entrenched that the President's attempt to turn over a new leaf may be too late. The Czech noted that the President's peaceful intentions and the spirit of Camp David are at variance with the inclusion of Iran and Spain on the itinerary, continuation of the arms race, and continued establishment of bases abroad.

In contrast to overt media, clandestine broadcasts emanating from bloc countries, but not acknowledged by the regimes, have carried denunciations of the trip's purpose and of the President personally. A broadcast directed to Turkey [redacted] charged that the visit to Ankara gave the President an opportunity to "see his servile followers and give them fresh directions." It said Turkey has been reduced to the status of a "dependent and enslaved country." Some clandestine stations, however, contrast the President's peaceful aims with the aggressive policies of the leaders he is meeting.

Peiping's Reaction

Moscow's conciliatory coverage of the trip contrasts sharply with Peiping's bitter attacks. A broadcast on 2 December from China charged the President with employing peaceful overtures as a "ruse" in an effort to "gain time to expand American military strength" in furtherance of an aggressive war policy. In a similar vein three days later, Peiping dismissed US efforts to reduce tensions as a "smoke screen" to cover up preparations for war. A broadcast of 7 December stressed that the US-Turkish communiqué revealed that "new plots" were being hatched to create tensions in the area.

The Chinese Communists are apparently concerned that the President's trip will undercut their contention that the United States is solely responsible for maintaining a state of tension in the Far East. Chinese leaders have recently endeavored to convince foreign visitors that Peiping has

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"peaceful" intentions in the Taiwan Strait.

Asia-Africa

Pro-Western leaders and the press in free Asian and African countries have almost unanimously approved of the President's trip and applauded the popular receptions he has enjoyed thus far. The few sour notes derive from wounded pride --as in the case of Jordan, whose press attributed to Israeli influence the fact that the President will not visit any Near Eastern Arab states-- or from special fears--illustrated by Chiang Kai-shek's praise for the Asian trip but condemnation of the exchange of visits between the President and Khrushchev as a "serious blow" to freedom-loving people. Seoul has lamented that the President's trip does not include any staunchly anti-Communist country such as South Korea, Nationalist China, or South Vietnam.

The Asian neutralist chorus has echoed Nehru's characterization of the President as "a messenger of peace in the world." In general, anti-American left-wing organs, including that of the Communist party of India, profess to hope for some good from the trip. The hard-line Iraqi Communists, however, persist in seeing a pernicious American design to draw Turkey, Greece, Spain, Italy, Tunisia, Morocco, Yugoslavia, and the UAR into a Mediterranean pact as an adjunct to NATO.

A theme emphasized in Southeast Asia and the Far East is that the President's trip may mark a historic turning point in Asian-American rela-

tions, especially since, it is claimed, he comes at a time when Asians are beginning to change their views about the United States. The Japanese particularly urge that the President "listen rather than preach" to the Asian and African peoples.

Western Europe

Unofficial opinion in Western Europe considers the President's trip a measure of growing American interest in underdeveloped areas, a laudable move to carry outside Western Europe the message of the American desire for peace, and above all an effective Western antidote to Khrushchev's personal diplomacy.

The press in Italy reacted enthusiastically and favorably to the President's visit. The pro-fascist Borghese, however, compared the trip to that of "a murderer who returns to the scene of his crime." The Communist press, in an about-face, reported that "the people" feel a new dawn of peace possible.

Latin America

Sparse initial Latin American reaction has shown special interest in the scheduled stop in Spain. In mid-November the Venezuelan foreign minister privately stated that the President's visit to Spain was an error in Latin American eyes, and predicted an adverse reaction throughout the area. Revolucion, considered the Castro regime's mouthpiece, has attacked the scheduled call on Franco and in a front-page editorial on 4 December criticized the entire trip as a "false gesture of friendship." [REDACTED]

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SINO-SOVIET RELATIONS

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The divergence between Moscow and Peiping in treating the President's trip is a further reflection of the policy differences apparently straining relations between the two regimes. Khrushchev's last three major speeches have contained clear evidence of his concern over Peiping's challenge to Soviet ideological primacy and hegemony in the Communist world. His thinly veiled criticism of Chinese policies reflects his determination to restore bloc discipline and unity behind Moscow's lead.

Soviet dissatisfaction with Peiping now is being more openly expressed in the Soviet Union.

on 2 December a speaker at a public lecture at Moscow University touched on difficulties in relations between the USSR and China. Specific mention was made of the Chinese action on the Indian border and the "cold and incorrect" reception given Khrushchev on his recent visit to China.

This is the most candid reference to date to Khrushchev's dissatisfaction with the present course of Chinese internal and external policies. Communist readers could not have failed to see a reference to the Chinese in Khrushchev's sharp criticism in his recent speeches of unnamed leaders for "conceit," "adventurist policies of neither peace nor war," and lack of "proletarian internationalism."



China's reservations about Khrushchev's foreign policy line and its obvious resentment of the Soviet attitude toward Chinese domestic programs in the past year are currently expressed in Peiping's failure to show enthusiasm for Khrushchev's policy toward the United States. They are also shown in its failure to endorse Khrushchev's gestures toward France concerning an Algerian settlement. The Chinese probably view his reluctance to support them on the Sino-Indian border dispute as a violation of bloc solidarity. They have not joined in bloc praise for Khrushchev's ability as a theorist and, by contrast, profess to see Mao as the "most outstanding contemporary" revolutionist, statesman, and theoretician, who has "enriched" Communist theory.

Ambassador Thompson believes the Chinese will probably exploit any suitable opportunity to encourage opposition to Khrushchev both in the Soviet Union and within the Communist bloc. They would probably prefer to see Khrushchev replaced, but presumably recognize that his position in the Soviet party is too strong to make secret appeals to other Soviet leaders a fruitful approach. They will try, however, to influence his policies and convince other bloc leaders of the validity of their views.

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MIDDLE EAST HIGHLIGHTS

Iraq

Despite the official festive atmosphere throughout Iraq on the occasion of Prime Minister Qasim's departure from the hospital last week, tension still seems to be growing. The most immediate cause is reaction to a six-hour conference in which Qasim castigated Iraqi nationalist elements and appeared to lean heavily toward the Communists. He contradicted his previous charges that "anarchists"--his euphemism for Communists--had inspired last July's Kirkuk atrocities; instead he blamed the anti-Communist Baath party and the UAR.

Qasim even lashed out at an anti-Communist student group which lost the recent students' association elections, alleging that this group was attempting to "destroy the republic." He accused Iraq's leading Shia Moslem divine, a strong anti-Communist, of working for "imperialism and dissension."

Qasim's statements will embitter anti-Communist elements and may embolden them to take precipitous attempts to overthrow him. His attack on the religious leader is likely to offend the country's more than 3,000,000 Shias, who constitute about 60 percent of Iraq's Arab population. Criticism in army ranks, already outspoken in private, will almost certainly increase.

In contrast to the general reaction to Qasim's speech, Foreign Minister Jawwad told the American ambassador on 7 December that the prime minister showed "true neutrality" between right and left, striking "impartially between both extremes." Qasim in fact has done little or nothing to rally support from

the middle group, has probably alienated the extreme right, and has failed to gain the real confidence of the left.

Despite the uneasiness prevailing throughout the country, the curfew imposed on the day of the assassination attempt against Qasim has been lifted for all practical purposes.

Iraqi-Iranian relations may deteriorate further as the result of Qasim's declaration that Iraq will seek the return of a five-mile strip of the Shatt al-Arab River, allegedly ceded under pressure to Iran in 1937. Diplomatic efforts to resolve the dispute had been under way for some time, but Qasim's statement undercuts them.

Jordan Waters

In addition to its continuing concern over Iraq, the UAR has become disturbed about Israeli intentions to divert large quantities of water from the Jordan River in the absence of an Arab-Israeli agreement on unified development of the Jordan Valley. In an effort to thwart such plans, Cairo has requested an emergency session of the Arab League Council and reportedly will ask that body to approve construction of a dam in Syria to prevent water originating there from flowing into Israel and becoming part of the Jordan River. According to press reports, this move would be preceded by an Arab complaint to the UN Security Council against the Israeli project.

In view of the fact that some 77 percent of the Jordan waters originates in the three Arab countries bordering on Israel, an Arab diversion scheme might be feasible even if

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uneconomical. Three main streams merge in Israel to form the Jordan. The Baniyas starts in Syria and the Hasbani in Lebanon; only the Dan is exclusively an Israeli stream. An Israeli officer has opined that Israel's water supply could be reduced by 25 percent by this plan.

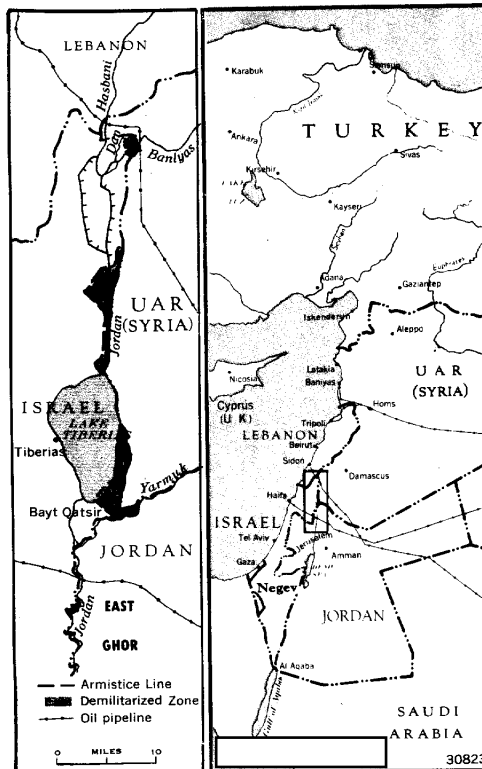
Jordan and Lebanon are said to favor the UAR project, but intra-Arab disagreements on details of the plan, as well as technical problems, may prove obstacles to its realization. Jordan itself is interested in downstream utilization of the waters and is going ahead with its East Ghor irrigation canal project which will utilize water from the Yarmuk River, the Jordan River's only major tributary.

What has aroused the Arabs is an eight- to ten-year Israeli project which the Israelis say is compatible with and could be integrated into an eventual agreement for Jordan Valley development such as the Johnston Plan. "Stage One" of the Israeli scheme, now in progress and scheduled for completion within five years, would enable Israel to pump water out of Lake Tiberias, which is fed by the Jordan, and convey it across the Galilean hills to Israel's coastal plain. Beyond that, an eventual diversion of the Jordan's waters above Tiberias is envisioned for irrigation of the Negev Desert in southern Israel. There is no real indication yet that the Arabs contemplate any military action to block the Israeli scheme.

Israel

Prime Minister Ben-Gurion and his Mapai party, which made

impressive gains in the November Knesset elections, are continuing their negotiations aimed at forming a governing coalition. Following the election, Ben-Gurion indicated he would favor partnership with the right-wing General Zionists, who, along with Mapai, favor election reform. As of early December, however, the General Zionists were disinclined to participate



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in a coalition "under conditions proposed at present." Mapai, with 47 of the 120 Knesset seats, apparently seeks partnership with at least two other parties. Only the progressives, who hold six seats, have indicated their readiness to associate with Mapai.

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The attitude of the General Zionists diminishes the likelihood that a right-of-center coalition can be formed and has forced Ben-Gurion to turn reluctantly toward the left-wing socialist parties, Achdut Haavoda and Mapam, which were participants in the previous government but which he considers intractable. Both these parties now may raise their price for an agreement, particularly on the issue of collective cabinet responsibility. The negotiations could be prolonged. It took 11 weeks to organize a government after the 1955 elections.

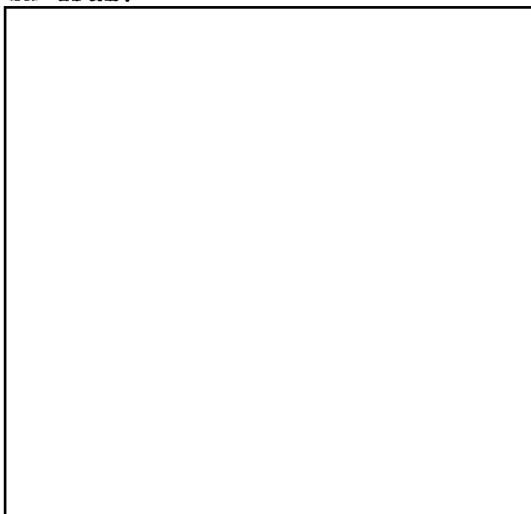
Iran

Iran and the USSR continue their diplomatic exchanges aimed at finding a formula which would offer Moscow written assurances pertaining to foreign bases in Iran and lead to cessation of the Soviet-sponsored propaganda

campaign against the Iranian Government. Soviet Ambassador Pegov recently held a series of talks with Foreign Minister Aram, [redacted]

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[redacted] Moscow is still trying to negotiate an agreement which would prohibit all foreign bases in Iran.



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PART II**NOTES AND COMMENTS****NUCLEAR TEST CESSATION TALKS**

Soviet representatives at the Geneva talks are seeking to maintain pressure for an early settlement of outstanding issues. Soviet delegate Tsarapkin told reporters in Geneva, following the 8 December session of the political conference, that the United States and Britain are "dragging their feet" in the concurrent technical talks on the detection of underground tests. He complained that the experts were "still" discussing the new American data and had not reached the "important matter" of the circumstances which should be prerequisite to sending out an inspection team to investigate a suspected nuclear explosion.

In a private discussion with American delegate Wadsworth on 1 December, Tsarapkin stressed the need for "mutual concessions." He added that the USSR was "anxious" to conclude a treaty even if disagreement at the technical talks should force "temporary abandonment of the drive toward a comprehensive treaty."

Tsarapkin has previously hinted privately that the USSR might relax its insistence on a permanent and unconditional cessation of all tests. He indicated interest in a phased approach which would provide for a permanent ban on atmospheric, high-altitude, and underwater tests and a temporary prohibition on underground tests, pending development of a trustworthy control system. He emphasized, however, that the "crux of the matter" is the obligation for a full cessation of all tests at the outset, regardless of the temporary

nature of the underground ban.

The Soviet delegate on 8 December requested the Western delegations to urge their technical working groups to speed up the discussions in order to reach agreement on the criteria for initiating on-site inspection and conclude the group's report by 11 December.

The Soviet experts at the technical talks have repeatedly requested that the Western delegation accompany with specific treaty language the introduction of any new data. These tactics are apparently intended to probe the extent of revision of the 1958 experts' report the Western delegations intend to insist on in light of their new data. Moscow may be willing to accept minor adjustments in the 1958 conclusions and recommendations which would not alter the basic conclusion that a control system over the cessation of all types of testing is technically feasible.

Soviet chief technical expert Fedorov admitted privately on 6 December that the 1958 report was not the "last word" or "completely accurate," but he asserted that it was good enough "for a start." He acknowledged for the first time the possibility of "degradation" as well as improvements in the system recommended in 1958. He repeated, however, the Soviet view that the system could be improved rapidly after being put into operation.

On 8 December, Fedorov criticized American draft conclusions based on new data as merely restating the original

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American position and ignored Soviet arguments made since the technical talks began. He indicated, however, there were no substantive inconsistencies in the American proposals but alleged that they were too detailed. He suggested that the delegations arrive at "some briefer middle ground."

On 8 December the Soviet delegation agreed to informal meetings of the experts after Fedorov had asserted that any such meetings would be for the purpose of drafting conclusions on points on which both sides agreed, and not for convincing his delegation of Western views.

On instructions from Prime Minister Macmillan, Minister of State Ormsby-Gore has gone to

Geneva, apparently to urge the United States to avoid taking a position in the technical talks which could lead to a breakdown in the negotiations. Stressing that Britain's chief delegate in the technical discussions was "pessimistic" over the outcome of the talks, Ormsby-Gore believes that in the event the negotiations collapse without a treaty or if one power resumed testing, a special session of the General Assembly would be convoked to consider the situation. He also expressed his belief that the political risk of refusing to agree on a treaty because of technical difficulties in detecting underground explosions had increased "100 percent since last year."

[REDACTED] (Concurred in by OSI)

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HUNGARIAN PARTY LEADERSHIP ENDORSED

The leadership which has directed the Hungarian party since the October 1956 revolt was endorsed virtually in its entirety at the first congress since the revolt, held in Budapest from 30 November to 5 December. Party First Secretary Janos Kadar was singled out by visiting Soviet leader Khrushchev as "the true son of the Hungarian people."

Kadar made a number of personnel changes in organs of the central apparatus which appear designed to make the party more responsive to his direction. All members of the old politburo and central committee were re-elected and both bodies were increased in size. The two new figures in the politburo are closely associated with Kadar. One of these, Sandor Gaspar, was recently elected party first secretary of the Budapest organization, and the other, Istvan Szirmai, was until recently chief of the cen-

tral committee's agitation and propaganda department.

Gyula Kallai, who was named for the job of first deputy premier, was replaced by Szirmai as one of the five party secretaries. Kallai's governmental assignment suggests Kadar may be grooming him rather than First Deputy Premier Antal Apro, a Stalinist, to replace reportedly ailing Premier Ferenc Muennich.

The enlarged central committee includes a number of long-time party workers who either fell into disfavor during the Rakosi regime or have recently demonstrated their loyalty to Kadar. Several regional party secretaries were elected to the central committee. In the main, these secretaries were from those regions of the country where there were no complaints of Stalinist abuses during the collectivization drive of the winter of 1958-59.

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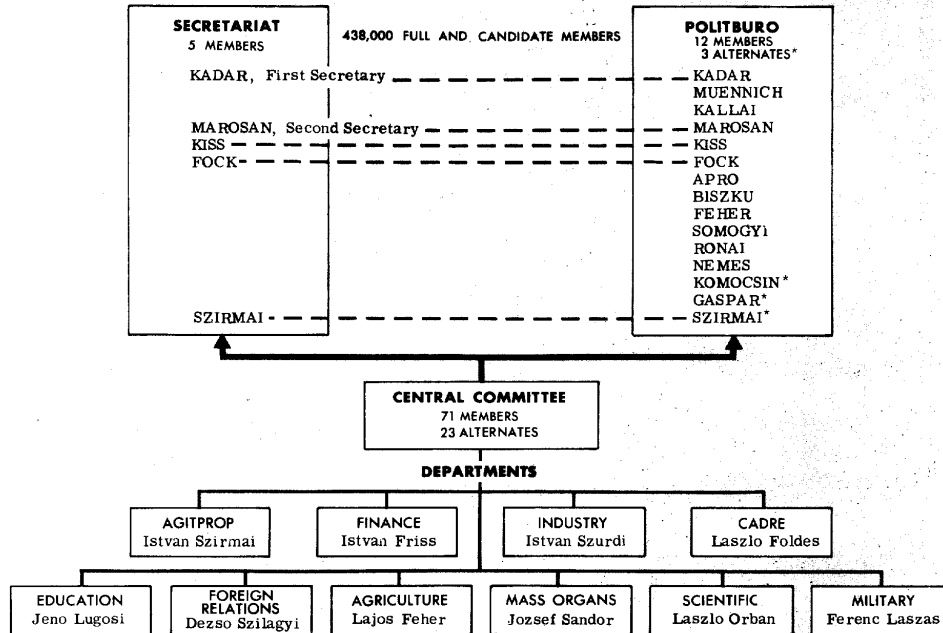
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ORGANIZATION OF HUNGARIAN SOCIALIST WORKERS (COMMUNIST) PARTY



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These inclusions appear designed to broaden support for the central leadership and its policies among the rank and file. In addition, Istvan Dobi and Arpad Szakasitz, present and former figurehead chiefs of state, who were both leaders of left-wing minority parties, were elected to the central committee, a move which underlines the regime's efforts to demonstrate the party's mass base.

The 674 delegates at the congress endorsed Kadar's policies and affirmed the "centrist" orientation of his economic program. The Five-Year Plan (1951-65) directives which were published in October were accepted virtually without change. Kadar and other speakers indicated that the party still subscribes to a dual policy of "consolidation and development" in agriculture, and it appears likely

that the socialized sector will be further expanded this winter. Kadar's policy is designed to achieve a "socialist transformation of agriculture in the coming years," but there is no fixed timetable for this development. The question of the rate of socialization--particularly of agriculture--continues to threaten the unity of the party leadership, and the congress did not overcome this. Statements immediately preceding the congress pointed up that Apro and party secretary Karoly Kiss both favor a considerably faster rate of socialization than does Kadar.

Spokesmen indicated their continued distrust of Hungarian intellectuals. Party cultural boss Kallai warned that "bourgeois thinking in the populace and the prevalence of revisionist ideas in the universities"

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despite intensive agitprop work conducted over the past three years. Kallai also demonstrated considerable sensitivity to the idea that an international detente means ideological or political compromise.

Some recent personnel changes--both at the congress and preceding it--suggest a definite effort by Kadar to tighten control of the agitprop complex. Gyorgy Marosan, who was elevated to the post of party second

secretary one month ago, may have been given certain responsibilities to strengthen agitprop work.

The fact that the stature of front-line Stalinists was not reduced suggests that Kadar believes that the best approach is to utilize all elements of the still weak party organization without undermining its strength by purges, while at the same time emphasizing the need for party discipline and unity.

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EAST GERMAN REGIME TROUBLED BY FOOD SHORTAGES

A number of East German party and government officials are being made scapegoats for the current shortages of meat and dairy products. Party First Secretary Ulbricht may extend the shake-up as a means of getting rid of officials who have questioned his agricultural policies.

Minister of Agriculture Hans Reichelt has been sharply attacked in the party daily Neues Deutschland for tolerating "opportunist and revisionist" views among officials in his ministry. Politburo member Erich Mueckenberger, reportedly already under fire, may be censured at the forthcoming seventh SED plenum and may even be deprived of his responsibility for agricultural affairs.

A shake-up at the local level is already in progress and will probably spread. Ulbricht recently castigated Rostock District officials for failing to take steps to secure fodder supplies--notably their

refusal to enlarge the acreage planted in corn.

The general failure of the year's agricultural plan--due in large part to a serious drought--has caused shortages of vegetables, fruit, meat, and especially dairy products. Restrictions on the sale of butter have become necessary, since the regime apparently is resolved not to import it from the West. Throughout the country, dairy products have become an active commodity in the black market, smuggling of butter to Berlin continues, and East Berlin housewives are crossing the border to purchase more expensive West Berlin butter.

Obviously reluctant to reinstitute rationing only 18 months after its abolition, the regime is appealing to the people for "more discipline when the shortages become acute in the winter months" and has adopted several measures to ensure the best possible distribution without resort to rationing

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cards. Restaurants and hotels in East Berlin have been told to replace butter on the table with mayonnaise. Customers are required to register at stores, and control brigades have been assigned to ensure that they register only once.

The regime has also instituted drastic measures--closely coordinated with the current collectivization campaign--to suppress speculation and force farmers to deliver dairy products. [redacted] jointly with ORR)

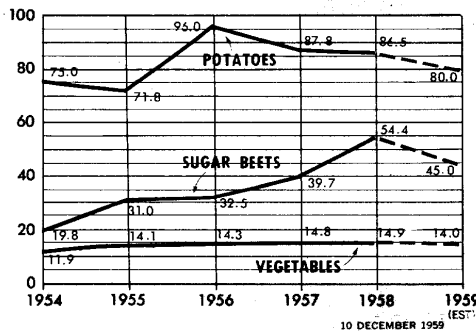
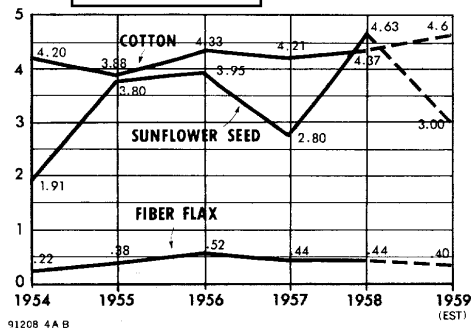
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SOVIET AGRICULTURAL OUTPUT IN 1959

Although unfavorable weather, including a drought this summer, affected most Soviet crops adversely, output of livestock products may increase some 10 to 20 percent this year, largely because substantial feed supplies were available from last year's bumper harvest. The grain crop suffered from a reduction in sown acreage as well and apparently was the smallest in five years, or since

Total sown acreage in the USSR was 484,000,000 acres in 1959, or roughly the same as during the past three years. Grain acreage this year, however, is believed to be some 15,000,000-20,000,000 acres less than during the past several years. The grain harvest will apparently be in the neighborhood of 100,000,000 metric tons. This is sufficient to satisfy basic domestic requirements, but the

SOVIET AGRICULTURAL PRODUCTION OF SELECTED ITEMS 1954-59
(MILLION METRIC TONS)



the development of the New Lands. The cotton crop, on the other hand, grown under irrigation and not affected by the dry weather, apparently was a record crop.

development of the much emphasized livestock program will be impeded, and grain export capabilities will be limited.

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Much of the reduction in grain acreage apparently was taken up by an increase in feed crops. The acreage planted to sugar beets also increased, reaching a total of about 7,400,000 acres in 1959, or one fifth over the 1958 figure. Acreages of the other crops changed relatively little, if any, from the 1958 level.

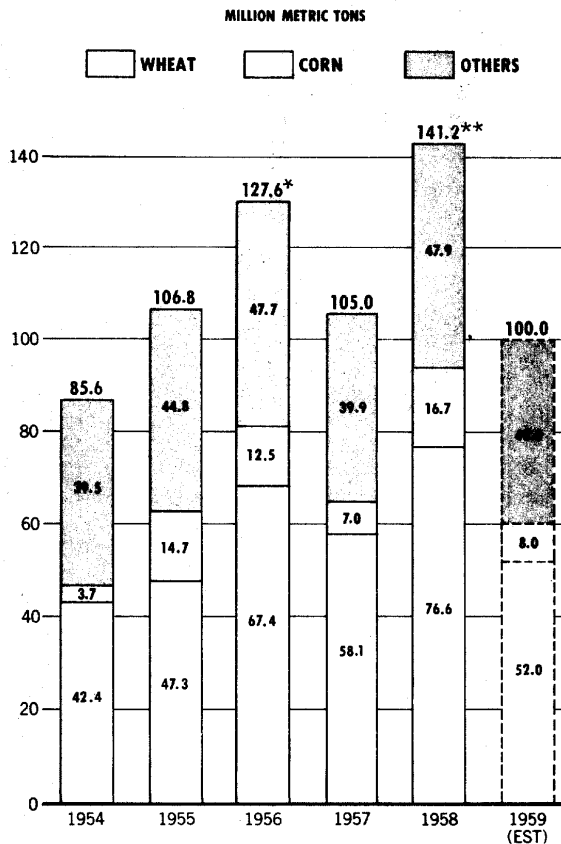
Industrial crops suffered less in 1959 from the adverse weather conditions than did grain. The cotton crop apparently is some 5 to 10 percent larger than the 4,200,000- to 4,400,000-ton crops picked in recent years. Sugar beet yields were adversely affected by the dry weather but, because of a 50-percent expansion in acreage during the past two years, the sugar beet crop is second only to the record 1958 crop. Yields of sunflower seed and flax fiber were also reduced by the dry weather. The production of sunflower seed is expected to be little better than the poor 1957 crop. Fiber flax production is expected to be about 90 percent of the amounts harvested annually during recent years.

Production of potatoes and vegetables in 1959 is expected to be only about 5 percent less than in 1958.

Increases in state procurement of livestock products sug-

gest that production increases will amount to some 10 to 20 percent. Production of livestock products during the first half of 1959 was aided by excellent feed supplies from the good 1958 crop--which resulted in record numbers of livestock being carried over into 1959--and by the arrival of spring pasturage several weeks earlier than normal. Subsequently, the adverse effect of dry weather on pastures and feed supplies

USSR: GRAIN PRODUCTION
(OFFICIAL USSR STATISTICS, EXCEPT 1959)



* Post-harvest losses probably reduced this figure to about 115.

** Post-harvest losses probably reduced this figure to about 130.

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probably caused some increase in the rate of slaughtering, which would further aid meat output.

Most of the effects of the relatively small supply

of feed from the 1959 crop season will become apparent in next year's output of livestock products [redacted]

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PEIPING RELEASES WAR CRIMINALS

Peiping's release of 33 "war criminals"--announced on 4 December in accordance with a directive promulgated by Chairman Liu Shao-chi on 17 September--appears to be part of the regime's continuing effort to undermine the stability of the Taiwan government by holding out the prospect of pardon for Kuomintang officials.

Thirty of those pardoned are former Kuomintang officials captured during the Communist seizure of the mainland, one is an official of the Japanese-sponsored Inner Mongolia autonomous government, and two are former Manchukuo government leaders, including Henry Pu Yi--the last Emperor of China and Japanese puppet Emperor in Manchuria. All are said to have recanted their crimes and to have "turned over a new leaf," following ten years of labor and ideological education.

The Chinese Communist leaders will exploit these pardons in their long-term effort to convince Nationalist officials that Peiping will be "lenient" with "compatriots" who choose to join the Communist cause. On 5 December, Peiping beamed a special broad-

cast to Taiwan in Mandarin directing the attention of "Kuomintang military and government personnel" to the rally held for the release. An earlier broadcast had reiterated the offer made by Premier Chou En-lai for cooperation between the Communist party and the Kuomintang for unification of the "fatherland" and had stated, "If you are patriotic Chinese, I hope you will return to the mainland and see the situation for yourselves."

In addition to pardoning war criminals, Peiping has restored to good standing 142 persons branded as "rightists" during the 1957-58 rectification campaign. This group comprises mainly second-level puppet party leaders and intellectuals and does not include the most prominent "rightists," some of whom had already been partially rehabilitated. A total of 12,032 have been pardoned since issuance of the September amnesty decree, according to a Peiping announcement.

Peiping's decision to grant amnesties at this time is probably intended to demonstrate the country's stability and maturity following ten years of Communist rule. Pardoning

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of the "rightists" seems designed to underscore Peiping's policy of redemption and rehabilitation at a time when critics of the regime both within and outside the party are being urged to re-examine their positions and wholeheartedly support the party center and its programs.

There has been no indication that amnesty will be granted to the five Americans being held in Chinese prisons, whom Peiping apparently considers valuable hostages. Their disposition would seem to be a separate issue, almost entirely dependent on some improvement in Sino-American relations.

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SINO-INDONESIAN TENSIONS

The Indonesian Government, determined to carry out its ban on rural alien retailers despite strong Chinese Communist objections, has reaffirmed its deadline of 1 January for implementation of the decree. The Indonesian Army has admitted manhandling some Chinese and making numerous arrests in the course of resettlement and has acknowledged that city homes provided for evacuated Chinese are not "palaces."

Recurrent instances of maltreatment could set an example for the Indonesian populace, which generally dislikes the Chinese, to carry out vigilante actions. The West Java army commander, apparently concerned over local incidents, publicly instructed his officers in late November to exercise tact and patience in handling the resettlement program because the aliens are citizens of a "friendly country."

Personnel of the Chinese Communist Embassy in Djakarta

are disregarding a ban on their travel to troubled areas and are encouraging Chinese resistance to government resettlement efforts. Army authorities charge that the embassy, in addition, brands as traitors those Chinese who have complied with the evacuation order and has threatened retaliation against their families in China. Most of this activity has occurred in West Java, but Chinese consular personnel have also toured East Borneo.

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CEYLON

Governor General Goonetilleke's dissolution of Ceylon's Parliament on 4 December and his call for new national elections on 19 March have ended for the time being the uncertainty over day-to-day political developments. Prime Minister Dahanayake will head an interim government. On 8 December Goonetilleke, at Dahanayake's request, dismissed six of the prime minister's most vociferous critics, including five cabinet ministers, and reinstated former Finance Minister de Zoysa, who was recently forced to resign because of his alleged involvement in the Bandaranaike assassination. Public preoccupation with campaign activities may stimulate some unrest and will probably lead the government to ignore for several more months the island's pressing economic problems.

The abrupt dissolution presumably was prompted by Dahanayake's realization that, as the government's collapse was inevitable, his own political status would suffer less should he resign voluntarily rather than remain affiliated with the discredited ruling party and govern without a popular mandate. In a broadcast on 5 December, Dahanayake implied that the action was intended to serve national interests and took credit for having paved the way for peaceable elections. Enumerating his accomplishments, Dahanayake included achievements which had been realized before he took office but for which the public may henceforth consider him partly responsible.

No single party seems likely to win a majority in the new Parliament--the membership of which will increase from 101 to 151. The leading contenders will be the moderate United National party (UNP), the ruling party prior to the 1956 elections, and the Trotskyite Lanka Sama Samaj party (LSSP), the leading opposition group since the elections. The UNP appears confident of winning substantial support and is credited locally with having made a comeback since its overwhelming defeat in 1956.

However, the party still has to prove its willingness to replace unpopular "old guard" elements and demonstrate its ability to offer a "progressive" program to a public still somewhat disenchanted with the UNP and concerned chiefly with economic advancement. The party will also have to reckon with the LSSP's extensive urban labor following and the prestige of LSSP leader N. M. Perera, one of the most highly regarded politicians in Ceylon.

The ruling Sri Lanka Freedom party (SLFP) is unlikely to continue as a significant political group. Many members probably will either attempt to join the UNP or seek re-election as independents. Others may join or follow the example of Dahanayake, who has resigned from the SLFP and formed a new conservative party. The election strategy of all parties will become more apparent following the nomination of candidates on 4 January.

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LAOS

A government crisis in Laos has been at least temporarily averted by the recent decision of the cabinet to schedule general elections tentatively for April 1960. Until that time, the deputies of the present National Assembly will stay in office, although the assembly as a whole will apparently not function after 25 December, the date its mandate will expire under the constitution. The possibility that the elections might be further postponed is left open by the stipulation in Premier Phoui's communiqué announcing the cabinet decision that they will take place "except under circumstances beyond the government's control."

In a deadlock of some weeks standing, the conservative elements in the government, led by Phoui, had urged that the assembly's mandate be extended for one year and that elections be held in December 1960. The reformist Committee for Defense of National Interests (CDNI), which is represented in the cabinet but not in the assembly, had argued for terminating the assembly's mandate on schedule and for earlier elections. While the compromise reached on these issues is based on somewhat tenuous legal grounds, its very imprecision will enable each side to save face by claiming it represents substantial concessions to its position.

Phoui now plans to revamp his cabinet and seek a fresh vote of confidence in a special National Assembly session prior to the expiration of its mandate on 25 December. He may run into opposition on the proposed assembly session, however, in view of the known distaste for the assembly's membership harbored by the CDNI and the

King. Another possible source of trouble is his threat to demote Foreign Minister Khamphan Panya, a CDNI leader, to a lesser cabinet position. The CDNI is already annoyed over remarks Phoui made to the press following the compromise settlement accusing the CDNI of dictatorial aims. These developments could upset the precarious compromise reached on the assembly's tenure and the timing of new elections.

The military situation continues generally calm, with only minor scattered incidents reported.

Meanwhile, the executive secretary of the UN Economic Commission for Asia and the Far East (ECAFE)--U Nyun of Burma--reports that the economic study on Laos now is being drafted by Hammarskjold's personal representative, Sakari Tuomioja of Finland, with the assistance of ECAFE and other UN officers. The report will be of an interim nature with a more intensive survey to be conducted by the group scheduled to succeed Tuomioja's.

U Nyun believes that Laos' most pressing need is an elementary transportation system. He said that the immediate objective would probably be to have the various UN specialized agencies undertake emergency assistance for Laos. He does not think there is any danger of Communist aid to Laos.

U Nyun added that the mere absence of treaty arrangements with the West did not constitute as full a measure of neutrality as Hammarskjold had in mind. He implied that the secretary general would like to see a neutral Laos along the lines of Cambodia.

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MALI INDEPENDENCE ARRANGEMENTS

French President de Gaulle and leaders of the Mali Federation--composed of the autonomous French Community states of Senegal and Soudan--appear to have agreed in principle during talks in late November that by June 1960 Mali should receive sovereign powers and enter into special cooperation agreements with France. Serious discord exists, however, as to when these ties are to become effective, and differences seem likely to develop over substantive aspects as well.

According to Mali Assembly President Senghor--who participated in the talks along with Mali President Keita and Vice President Dia, respectively the premiers of Soudan and Senegal--De Gaulle readily accepted Mali's plan to achieve independence through a negotiated transfer of "common" powers now actually wielded by Paris. He insisted, however, that Mali's continued membership in the French-subsidized Community depended on the cooperation agreements being worked out in detail beforehand and coming into force on the date of independence.

These agreements would create special contractual relationships between France and Mali in such fields as defense, foreign affairs, economic aid, and education. De Gaulle apparently indicated that the only alternative route to independence open to Mali would be to invoke the constitution's referendum procedure, a step which would put Mali completely outside the Community and almost certainly mean a cessation of French economic aid.

Under the new relationship, Paris hopes to ensure extensive coordination by Mali of its foreign, defense, economic, and cultural policies. Mali's leaders, on the other hand, can be expected to resist French attempts to limit Mali's freedom of action following independence. They are already under considerable pressure from more militant domestic elements who wish to emulate Guinea's complete break-away from the French sphere.

Keita--leader of the Mali forces in Soudan, where such elements are particularly strong--indicated to the American consul general in Dakar on 5



KEITA

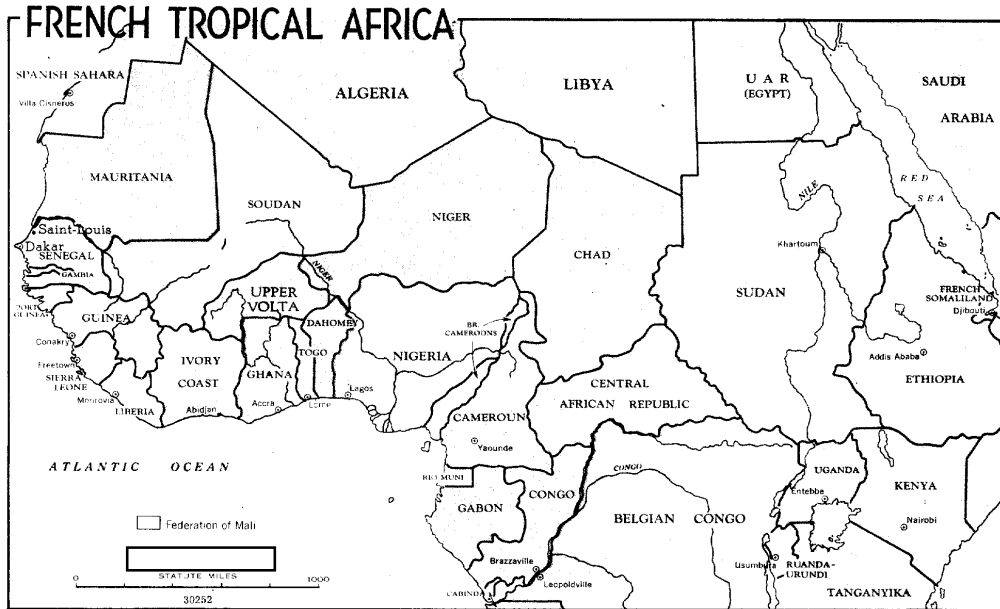


SENGHOR



DIA

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December that independent Mali could not bind itself to a closely knit politico-economic complex subordinate to France. He added that Mali contemplated only loose ties with organs of the Community and voluntary attendance at meetings of its Executive Council.

Prior to his departure for the Council meeting in St. Louis, Senegal, on 11 and 12 December, De Gaulle was expected to notify Mali leaders of his attitude toward the federation's relations with France following in-

dependence. The subject will presumably be discussed during the French President's subsequent visit to Dakar. Formal negotiations between French and Mali representatives, which one high French official has estimated will last about three months, now are scheduled to begin in January.

Mali's independence, by whatever means, is likely to precipitate demands for equal status from the Malgache Republic (Madagascar) and the remaining West African states of the Community, including the Ivory Coast.

SAHARAN OIL AND THE COMMON MARKET

The formal inauguration on 5 December of the pipeline from Hassi Messaoud in central Algeria to the Mediterranean coincides with accelerated French efforts to find a market for Saharan oil. French officials have emphasized that finding an outlet for the new production is a "world problem," but they have thus far offered no spe-

cific proposals for a world-wide solution. The burden of absorbing supplies over and above French requirements seems likely to fall initially on the European Economic Community (EEC or Common Market).

Since crude oil under the EEC treaty is a raw material not subject to a tariff, Paris has

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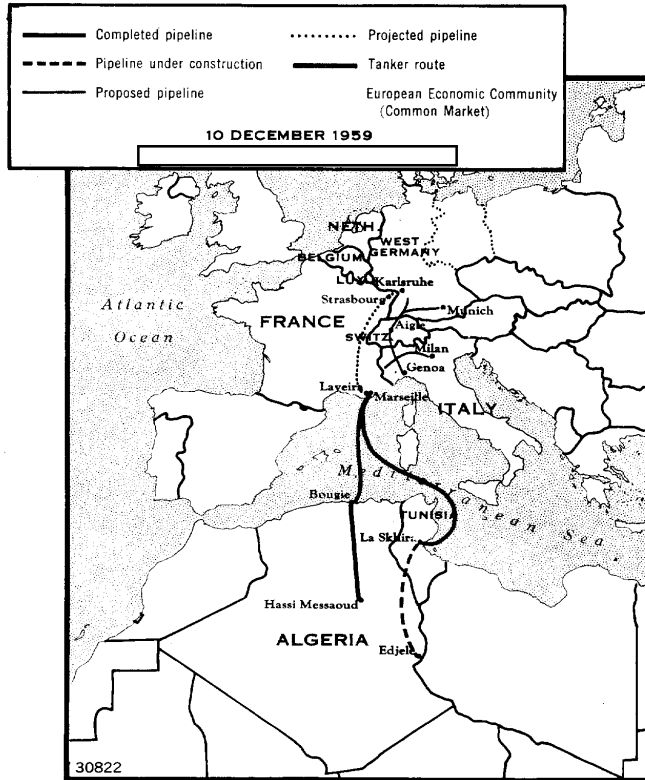
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sought to achieve a guaranteed market by suggesting instead a uniform EEC internal tax on oil products not refined from "Community" crude. Tax-free quotas would take into account EEC needs for crude in quantities or types the French are not able to provide--Saharan oil being high in gasoline content. EEC refineries would receive tariff protection from imported products, and each Common Market country would be free to distribute its tax-free quota to the various world suppliers as it saw fit.

Most of the EEC countries--and particularly their economic ministers--have serious misgivings about the French plan. Some suspect Paris is merely increasing pressure on the international companies to absorb Saharan production voluntarily. Others are skeptical of French



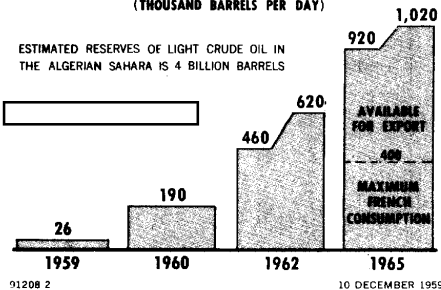
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are reluctant to penalize. Moreover, the low-tariff countries are loath to start a protectionist trend.

These considerations are not likely to prevail, however, if the French offer sufficient concessions or make their plan an issue for Common Market "solidarity." Netherlands officials, theoretically strongly opposed to the plan, have hinted, for example, that The Hague might change its mind if France offered a larger market for Dutch agricultural products. Another inducement might be a redefinition of "Community" crude to include production from certain fields in which EEC companies have a major financial interest.

The attitude of the smaller EEC countries seems likely to

OFFICIAL FRENCH ESTIMATES OF CRUDE OIL PRODUCTION IN THE ALGERIAN SAHARA
(THOUSAND BARRELS PER DAY)



contentions that energy costs will still remain the same. Nearly all of the EEC members have refining industries they

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be influenced by the position of Bonn, which in turn will be affected by West German interest in participating in the Saharan development and by Chancellor Adenauer's determination to maintain friendly relations with France. Prospects that London might vigorously oppose

the French plan seem to have receded, in view of the Foreign Office's desire to avoid any action which might jeopardize important British oil investments in France or aggravate Britain's already delicate relations with the Continent in the economic field.

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BRITAIN'S RELATIONS WITH WESTERN EUROPE

The first round in implementing the Macmillan government's major objective of improving relations with Western Europe has helped the cross-channel atmosphere but produced few specific proposals.

In the past month the British have talked at the head-of-government or foreign-minister level with all Common Market (EEC) countries except Luxembourg in a determined attempt to allay some European apprehensions on certain issues. The British leaders have repeatedly denounced disengagement as such--while reiterating support of a "pilot" plan for arms limitation and inspection in Europe that would not discriminate against West Germany --and proclaimed that Britain considers itself "part of Europe."

London's principal suggestion has been to use the Western European Union (WEU)--the one body composed of the six EEC countries plus Britain --for political consultations. The further extension of EEC solidarity by means of the recently agreed quarterly foreign ministers' consultations disturbs London. Whenever these consultations venture beyond economic matters, the British want to bring in WEU, until now a near-dormant institution concerned with controlling limitations on Bonn's rearmament.

European reaction appears cool, however, and a high British Foreign Office official anticipates that little will come of the proposal.

Otherwise, Britain's new drive is shown in its cultivation of France, especially on issues affecting Africa. London lobbied for the French on the Saharan nuclear test resolution in the UN and is trying to help them on the Algerian issue. In deference to French sensibilities, Britain has ended consultation with the United States on supplying arms to Tunisia. Regarding Bonn, London hopes to build on growing bilateral trade ties and on joint arms production arrangements, as agreed last week by Defense Ministers Watkinson and Strauss.

Acknowledged differences remain on such major issues as a Berlin settlement, summit talks, and European economic cooperation and, fundamentally, on Britain's determination to retain its special ties with the United States and the Commonwealth. As in East-West relations, Macmillan appears to believe that regular contacts can alleviate misunderstandings that exacerbate these differences. Further bilateral meetings now planned are for President de Gaulle to visit London in early April and Macmillan to go to Italy in "early spring."

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THE NATO MEETINGS

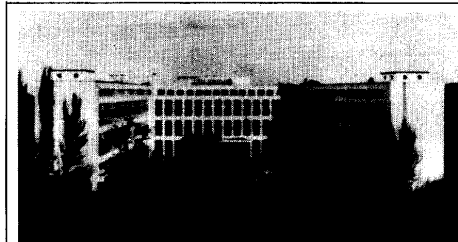
East-West relations in the light of summit preparations will be the main concern of the annual meeting of the NATO ministerial council on 15-17 December. Other major topics include NATO economic cooperation and the status of the military effort. The council is scheduled to reconvene on 22 December to hear a report on the "Western summit" four-power talks.

For consideration of the situation that would prevail in a period of international detente, Secretary General Spaak has suggested focusing attention on how the East and West interpret the meaning of "peaceful coexistence" and what impact this would have in the field of NATO political consultation and defense.

Discussion of economic problems will be directed toward their political aspects. Britain, Canada, and West Germany favor a general approach without going exhaustively into intra-European questions--mainly the rival Common Market and Outer Seven groupings--and the question of underdeveloped areas, which the Belgians would like to consider. The Greeks, perhaps jointly with the Turks, may push their claim that the richer allies should help the poorer ones on economic matters.

The present status of the NATO military effort, characterized by a persistent gap between military requirements and

their realization, has led the military authorities to declare that the current and prospective defense posture of the alliance gives cause for "grave concern" over NATO's continued deterioration in relation to Soviet



New NATO building in Paris

strength. Under present circumstances, they hold it unlikely that the NATO strategic concept of forward defense could be fully implemented.

Differing opinions on the effect of the so-called East-West thaw on the Soviet threat can be expected to provoke more than routine consideration of the West's proper defense posture and procedures for achieving it. Special military items for discussion are the nuclear capability of NATO shield forces and progress in air defense, which would probably bring up the problem of De Gaulle's obstructive tactics. Norway may receive attention for its proposal to study whether the procedure for reviewing the military program should be changed.

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CONTINUING DIFFICULTIES IN US-PANAMANIAN RELATIONS

Panamanian disappointment with the results of recent conversations with US officials probably presages a continued period of difficulty in US-Panamanian relations. Foreign Minister Moreno told the US ambassador on 4 December that

the Panamanian Government would soon publish a statement declaring that, in spite of recent discussions, the United States has made no substantial concessions regarding the Canal Zone, and "no progress whatsoever" has been made in the settlement

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of long-standing US-Panamanian differences.

The ambassador also was told that the Panamanian Government felt obliged to inform its citizens, whose hopes of greater canal benefits have been raised by recent events, that the administration regarded the latest US offers of economic concessions to Panama as being too vague and "entirely unsatisfactory." Public hostility toward the United States has appeared somewhat reduced since the 20-24 November discussions between Panamanian officials and Deputy Under Secretary of State Merchant, but publication at this time of a strongly worded official statement criticizing the recent negotiations would increase the likelihood of new anti-American outbursts.

Panamanian extremists are planning further anti-US disturbances. Nationalistic student elements are reported or-

ganizing a "grandiose manifestation" for 12 December, in order to celebrate the anniversary of the Panamanian rejection of an agreement on US military bases in 1947. First Vice President Temistocles Diaz, a possible opposition candidate for president in next May's presidential election, is reported backing plans for the 12 December demonstration.

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BRAZIL PRESSES "OPERATION PAN AMERICA"

Brazil is intensifying its diplomatic campaign to build support for "Operation Pan America" (OPA), President Kubitschek's proposal for a "dynamic" inter-American effort to speed economic development. Kubitschek considers such an effort essential to combat increasing Communist agitation as well as to meet the needs of the expanding population. OPA will continue as a major Brazilian policy and will be pushed at the 11th Inter-American Conference scheduled for 1 February in Quito.

Kubitschek first suggested the idea in a letter to President Eisenhower on 28 May 1958, following the attacks on Vice President Nixon in Peru and

Venezuela. He called for a "plan to reassess hemispheric policy in order to place Latin America in a more effective role in the defense of the West," particularly by economic development.

Kubitschek's suggestion resulted in several meetings, including that of the American foreign ministers in September 1958 and two meetings of the Committee of 21--made up of presidential representatives. The main results, besides an exchange of ideas, were the approval of an inter-American bank and inclusion of OPA on the agenda for the Quito conference.

To line up more active support for OPA and dissipate

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resentment of Brazil's dominating role, Rio de Janeiro has been actively consulting other governments, and supporting the candidates of other Latin American governments for posts in international organizations. Some success is evident from the numerous statements of official support for OPA.

This cultivation applies especially to Mexico, which was the most recalcitrant toward OPA last year. President Lopez Mateos will probably visit Brazil in January. Argentina gave OPA new support following Brazilian Foreign Minister Lafer's November visit to Buenos Aires and recommended that each country "clean its own house" economically.

Ecuadoran Foreign Minister Tobar, visiting Rio de

Janeiro, joined President Kubitschek on 7 December in calling for revision of the charter of the Organization of American States (OAS) to permit the creation of a permanent council for economic development. Tobar also called for permanent retention of the Committee of 21, thus implying criticism of the OAS, which Brazil would like to bypass in matters concerning OPA.

Within Brazil, OPA has been of political value to Kubitschek. This proposal has been one of his most popular policy moves. Some see in OPA, along with Brazil's trade mission in Moscow, the beginning of a policy more independent of the United States and giving Brazil an opportunity to exert greater influence in world affairs.

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GUATEMALAN CONGRESSIONAL ELECTIONS

The government of Guatemalan President Miguel Ydigoras has been temporarily strengthened by the results of the congressional elections on 6 December, in which half of the 66 seats were at stake. Unofficial returns indicate substantial victories for the President's partisans.

Fraud and other methods of influencing the vote were employed extensively, especially in rural Indian areas, on behalf of pro-Ydigoras candidates and were probably decisive in a number of constituencies. Leftist parties showed considerable strength where the voters were free and not intimidated. In the capital, for example, the combined leftist vote, split four ways, was over 50 percent of the total.

Opposition protests over government electoral fraud

could develop into a serious issue for the regime. Leaders of the largest leftist group, the moderate Revolutionary party (PR), on 9 December publicized a detailed list of irregularities committed by the government and stated that the PR would not accept this fraudulent election, "come what may."

Ydigoras appears assured of a majority in the new Congress when it convenes for a two-year term in March--an advantage he lacked during his first two years in the presidency. The major rightist opposition party, the Nationalist Democratic Movement (MDN), suffered serious and perhaps irreparable losses in the voting. Its 23 seats in the present congress may be reduced to as few as seven in the new legislature.

The MDN, remnant of the political machine of the late

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President Castillo Armas, had



its chances of a comeback now have become very slim. Ydigoras, by a series of maneuvers and bribes to MDN officials shortly before election day, caused the party to split into mutually hostile factions and again demonstrated his skill as a political manipulator. At the same time, the failure of leftist parties to sweep the elections has eliminated the rightists' main issue against the President.

Leftists are still strong among the Guatemalan voters, but Ydigoras' efforts to weaken the large Revolutionary party

by fostering rival leftist splinter parties, have evidently had some success. Last July the PR received 84 percent of the total leftist vote in the Guatemala City municipal election. On 6 December, with the leftists split four ways, the PR was supported by only 64 percent of these voters. The Communist-front Party of Revolutionary Unification won the bulk of the votes lost by the anti-Communist PR.

Ydigoras' denunciation on 5 December to the Council of the Organization of American States of an alleged Communist-Cuban plot against his regime was probably merely a pre-election gambit designed to influence the voting in his favor.

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PART III**PATTERNS AND PERSPECTIVES****COMMUNIST CHINA'S RELATIONS WITH THE NON-COMMUNIST WORLD**

In contrast to Moscow's peace initiatives, Peiping has tended toward crude displays of strength in its relations with free world countries. The Chinese leaders probably believe that the Kremlin's more moderate approach, if pursued by the weaker Peiping regime, would encourage rather than abate US opposition to Chinese Communist aspirations in the Far East, e.g., the "liberation" of Taiwan. In addition, the Chinese value a "struggle" atmosphere as essential to the development of their economy to the levels of the more industrialized countries. "Face to face with the American aggressor," as Peiping puts it, "the Chinese people are forced to intensify their work and build economically backward China into an advanced, industrialized, and socialist power."

The preference of the Chinese for hard-line tactics is reinforced by the knowledge that their conciliatory approach in the years immediately following the 1955 Bandung conference did not particularly succeed in enlarging their influence in Asia.

On the contrary, they see a "rightist" trend in the non-Communist countries of Asia, following the rise to power of military leaders. Peiping believes its efforts should be directed toward projecting the image of a strong, assertive power that is still receptive to "peaceful" solutions but is ready to back up its claims by diplomatic, economic, or military pressures.

The inclination to tougher tactics is illustrated in recent dealings with Djakarta.

During his trip to Peiping last October, Indonesia's Foreign Minister Subandrio found Premier Chou En-lai--who waved a threatening finger at him--a "changed man" from the Chou of 1955. Subandrio was awakened in the middle of the night for the only interview granted him by Mao Tse-tung and was treated like a "schoolboy" by the Chinese leader. Mao made clear Peiping's displeasure over the discriminatory legislation against Overseas Chinese in Indonesia.

It is improbable that Peiping misjudged the resentment its tactics engendered, but Indonesian good will in this case was deemed clearly subordinate to the preservation of Communist China's repute as a power capable of effective intercession on behalf of its nationals abroad.

Policy Toward the US

The Chinese leaders are at particular pains to maintain the appearance of confident strength in their policy toward the United States. They are vehement in their opposition to any "two Chinas" solution for Taiwan and publicly stress their "right" and determination to use "whatever means necessary" to seize the offshore islands and Taiwan. After backing down from preparations to take the offshore islands in 1958, the Chinese have continued intermittent shelling in order to demonstrate that they retain the military initiative.

China's hesitancy to engage the United States militarily at this time is evident in Laos. Peiping's public role has been largely restricted to propaganda charges of illegal US activities in Laos and to

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representations designed to convince India, Britain, and France of the need to reactivate the International Control Commission there.

The Chinese leaders justify their hostility to the United States in terms at variance with Khrushchev's recent statements on the possibility of avoiding war. An article in the 5 June issue of World Knowledge--Peiping's journal on current international affairs--states that "imperialism remains imperialism forever" and that "as long as imperialism exists, the people of the world cannot avoid the threat of war." The line is not an appeal for immediate war with the United States; it is an attempt to support the Chinese view that world opinion must be turned full blast against the United States, and that tension and threats to use force are necessary for Peiping's effort to reduce US influence in the Far East.

More recently, politburo member Peng Chen stated that although the United States still refuses to give up the "policy of war and aggression," people of the world "render it more difficult for the United States to start a war." This appears to be an effort to bring the Chinese line somewhat closer to Moscow's on the concept that war is not inevitable, while still expressing Peiping's reservations about American sincerity.

Border Issues

The Chinese attitude on border issues is strongly con-

ditioned by the need to oppose the legality of claims which are heritages of "British imperialism." To mollify New Delhi and Rangoon, Peiping has resorted to the expedient of professing a willingness to negotiate but has in fact stalled on a settlement of frontier claims.

When the Tibetan revolt broke out in 1959, Peiping moved to seal off Tibet's borders. In attempting this along a vast undemarcated border, clashes with Indian patrols moving up to the frontier occurred. The hardening of New Delhi's attitude in the wake of the clashes increased Peiping's apprehension that Nehru was "drifting into the Western camp" and, together with resentment at New Delhi's sympathy for Tibet and at the asylum granted the Dalai Lama, contributed to the tougher Chinese political policy toward India.

Peiping has indicated willingness to accept a temporary solution pending an over-all settlement, but it has made clear that such an understanding must not involve a unilateral Chinese retreat from the frontier or any other such imputation of Chinese weakness.

In the case of Burma, exasperation with Peiping's stalling tactics led Prime Minister Ne Win last June to send a "take it or leave it" package proposal for settling the border dispute. The Chinese reply was moderate, characterizing the Burmese proposal as "very near the mark" but something which Peiping could not accept or reject as a whole. Peiping urged the Burmese to be "patient" and to

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"negotiate further." The Chinese leaders are unlikely to agree to a settlement with the present government in Rangoon which might be interpreted as a "victory" for anti-Communist Ne Win.

Overseas Chinese

The growth of Communist China as a great power is a concept carefully cultivated by Peiping among Chinese outside the country. The Chinese Communist leaders view the great-power image as a major political asset in their competition with Nationalist China for the loyalty of "overseas brothers" who look at times to the intercession of a strong Chinese government to protect them against discrimination by local authorities.

Despite the high value it places on Indonesian neutralism, Peiping considers its standing in the eyes of the Overseas Chinese so vital that it is trying to coerce Djakarta to modify its ban on alien merchants in rural areas. The Chinese Communist Embassy in Djakarta referred to resettlement areas for Chinese merchants as "concentration camps," and Premier Chou En-lai threatened Indonesia with economic sanctions. Peiping seems to be seeking an outcome that at the very least will make it clear to Overseas Chinese that their lot would have been worse without Chinese Communist intercession.

Middle East and Africa

Peiping's approach to the Middle Eastern and African countries is conciliatory on the whole, although even here China's espousal of Communist viewpoints has occasionally stepped on the toes of Nasir and other nationalists. Chinese propaganda stresses that

the countries of this area, like China, have "thrown off the imperialist yoke," and it implies that the experience of underdeveloped China is particularly relevant to their conditions.

Peiping probably calculates it has a fair chance of impressing the Middle East and Africa with China's economic and social transformation and that it may thereby achieve considerable influence in the area. While encouraging nationalist movements, the Chinese seem eager at the same time to promote Communist capabilities to take over the "bourgeois" revolutions, and they are giving support to local Communists.

With very limited capabilities, the Chinese have chosen to devote their main aid effort to small, primitive Yemen, which has had little contact with Western technology, and where the Chinese program will have the maximum impact. Looking to the future, the Chinese may regard their aid program there as a pilot project for similar activity in newly independent countries of Africa where governments are favorably disposed toward Peiping.

China's public support of the Algerian rebels contrasts with Moscow's more circumspect position. Peiping, which has no diplomatic relations with France, has formally recognized the Algerian provisional government, whereas the Soviet Union has not. Following Khrushchev's 31 October speech to the Supreme Soviet in which he hinted at supporting De Gaulle's Algerian proposal, however, Peiping has seemed hesitant to contradict flatly the Soviet line.

Western Europe

The failure of Western European powers, including those

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which have formally recognized Communist China, to support Peiping on international issues has apparently persuaded the Chinese that Europe does not offer particularly fertile ground for their political activity.

The Chinese leaders appear to realize that diplomatic recognition by West European powers such as France and Italy is not an immediate prospect, and this realization was probably a factor in Peiping's decision to offend the French and recognize the Algerian rebels. The almost complete isolation of the British and Dutch embassies in Peiping reflects the bitterness of the Chinese leaders, who have referred to the China policies of both governments as "two-faced."

Latin America

The Chinese Communists draw a parallel between Latin American unrest and China's emergence from "foreign domination." There is a note of optimism in Chinese propaganda on the "mounting struggle against US imperialism," despite the Western orientation of most governments in Latin America and the fact that no government there has accorded Peiping formal recognition. As steppingstones to full diplomatic relations, Peiping has been pressing for governmental and nongovernmental cultural and trade exchanges.

The Chinese leaders seem hopeful that a loose grouping of anti-US states will evolve around Cuba, and they therefore have made that island the focus for their efforts to increase Communist China's influence in the area.

Prospects

The Chinese are probably under pressure from Moscow to moderate tactics which have impaired bloc prestige. Moreover, the Indian Communists have told them that the Sino-Indian border dispute has damaged the internal position of the Indian party. Peiping's tough tactics in Indonesia are likewise embarrassing the Indonesian Communists. The Chinese leaders are willing to take steps to appear more "reasonable" in these two disputes, but the need to avoid at all costs any show of weakness will continue to limit Peiping in the concessions it can offer.

The Chinese probably do not intend soon to alter the present course of their policy toward strongly pro-Western governments. The necessity of meeting American hostility to Peiping with "tough talk" rather than any display of "weakness" will continue to be a cardinal principle of the Chinese leaders. The "imperialist aggressor" theme will also continue to be used to spur domestic production.

The Chinese, however, are not altogether unresponsive to Soviet wishes and want to minimize public displays of differences. Peiping is therefore likely to give lip service at least to the possibility of a "thaw" in international relations. On 6 November the Chinese stated that they would "work for the complete realization" of Soviet peace moves and that they "need" peace to build up China's economy. This moderate tone does not mean an end to the attacks on American activities in the Far East, however, or any alteration of such basic policy positions as the necessity and inevitability of Taiwan's "liberation."

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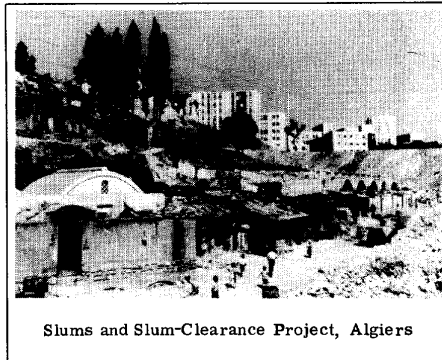
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FRENCH OVERSEAS AID PROGRAM

France's ability to maintain strong ties with its overseas areas, particularly Algeria, will depend to a large extent on the scope of the French economic and social aid program. At his press conference on 10 November, President de Gaulle recognized the aspirations of the underdeveloped countries and underscored the responsibility of the highly industrialized nations to help them. Reproving those who fail to see the change taking place in such regions, as well as those who think continued association with underdeveloped areas is too expensive, De Gaulle offered "to provide as much aid as France can to those people who want our help."

De Gaulle's broad promise of aid is bound to generate additional requirements for French capital expenditures, especially in Algeria, where economic assistance needs are already outstripping funds available under the Constantine Plan. Finance Minister Pinay, charged with holding down the budget deficit

and maintaining France's newly won economic and financial stability, cannot hope to satisfy these additional demands while continuing such expensive programs as the creation of an independent nuclear striking force



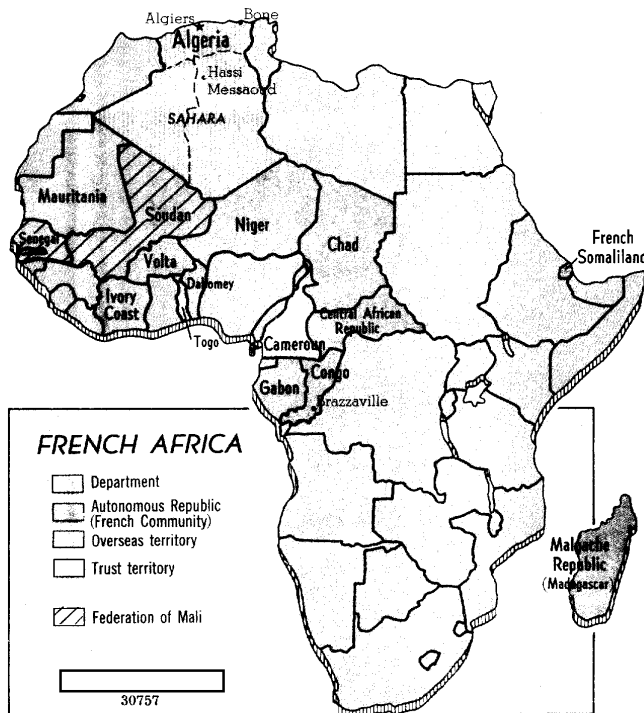
Slums and Slum-Clearance Project, Algiers

and providing some wage raises in the increasingly restless public sector. Major French efforts to secure international sources of capital to fill the gap can be expected.

The Constantine Plan

Algeria will probably furnish the severest test of the French program. De Gaulle set the goals in a speech at Constantine in October 1958, when he committed France over a five-year period to create 400,000 new jobs, distribute 620,000 acres of land to Moslem farmers, equalize Algerian and metropolitan wage levels, and provide housing for one million people. He also envisaged schooling for two thirds of school-age Algerian children within five years and for all children within eight years.

During the first year of the plan, according to Delegate

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General for Algeria Paul Delouvrier, school attendance was upped by 100,000 to cover a quarter of the school-age population. It is estimated that, by the end of 1959, 20,000 urban dwellings and 160 new villages will have been completed and 2,500 families will have participated in land redistribution. The Algerian wage level has risen, largely because of the increasing number of workers employed in the oil and natural-gas industries.

Present Capital Sources

To finance the Algerian program, the 1959 French budget included \$200,000,000 in direct grants, to be increased gradually to approximately \$400,000,000 by 1963. Largely to finance specific projects, the government has provided another source of capital in the form of loans from public financial institutions and privately subscribed bond issues.

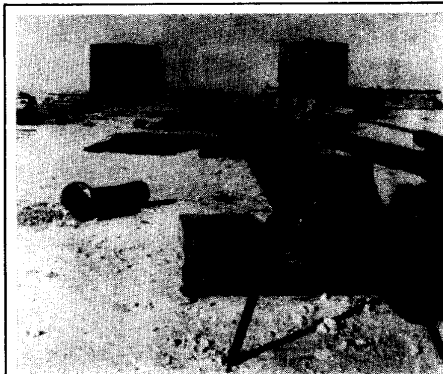
It is becoming increasingly clear, however, that government financing is inadequate and that private investment, originally counted on to fill the gap between program costs and public expenditures, has not responded as much as had been hoped. Except to develop oil, private French capital has been reluctant to move to an area so remote from markets, with few readily accessible raw materials and little skilled labor. The uncertain political climate and the requirement that Algerian industry be French controlled have discouraged foreign private capital.

Moreover, the Finance Ministry has interpreted very cautiously the legislation to encourage capital movement through large-scale government aid. For example, its inability to agree with private steel companies on the amount of government subsidy needed to cover expected operating deficits at the proposed steel-producing complex near Bone has meant

delay and possible cancellation of part of the project.

The political need of convincing the Algerian Moslems that their best future lies in association with France seems likely to dictate increased government aid to Algeria over the remaining four years of the Constantine Plan and stepped-up government pressures and incentives to encourage the movement of private capital. An end to the rebellion might enlarge available resources by freeing part of the funds now devoted to military operations.

Even full achievement of the Constantine Plan, however, is unlikely to result in more than limited improvement in the over-all Algerian economic position as it appears likely to develop over the next few years. The rapid rate of population increase is certain to outstrip



Oil Pipeline Project from Hassi Messaoud, Algeria (opened 1959)

plans for new housing and new jobs and to complicate the school situation. Large-scale land redistribution will probably meet resistance from French landowners. Raising wages would weaken one of the big incentives for private industry to move to Algeria.

French Community Program

Economic and social aid programs in the French Community

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states of Africa have lower priorities and more moderate budgets than those devoted to Algeria. The problem of the gap between the costs of politically desirable projects and available capital is the same, however. The amount of economic aid France can provide



Mobile Health Unit in Algeria

these areas is likely to be a major factor in their willingness to maintain some degree of association with France. The Mali Federation, for example, has acknowledged that it seeks independence within the French Community in order to keep getting French economic aid.

From 1946 to 1958 France spent approximately \$2 billion in economic aid within the French Union. Minister of Economic Cooperation Robert Lécourt envisages 1960 grants totaling \$200,000,000 for personnel, technical aid, development projects, and investments.

Search for New Capital

Paris has expressed willingness to use part of the anticipated income from Saharan oil to finance its aid programs. To date this has largely been limited to higher wages for Algerians working in the oil industry. As France becomes a net exporter of oil, however, Paris may find it possible to channel an increasing part of these new revenues into an expanded Algerian aid program.

The Common Organization of Saharan Regions (OCRS)--headed by Deputy Premier Jacques Soustelle, whose jurisdiction extends into the Saharan areas of the neighboring Community states of Chad, Niger, Mauritania, and Soudan--may serve as an instrument for distributing Saharan oil revenues and administering the aid programs. The OCRS has already entered into financial agreements with these Saharan states.

The European Economic Community (EEC) may become an important new source of capital. The EEC Development Fund, planned to finance economic and social aid projects in overseas territories associated with EEC members, has scheduled \$581,000,000 to be spent from 1958 to 1962. Although France will contribute only \$200,000,000 of that total, \$511,000,000 is earmarked for areas linked to France.

Although French reluctance to permit the Development Fund to deal directly with the Community states has delayed fund planning and held up expenditure of most of the amount programmed for 1958, recently re-



Hydroelectric Project on Djoue River near Brazzaville

vised Development Fund procedures and a growing French willingness to tap this source of capital will probably lead to its increasing use. The EEC Commission has already approved such diverse projects as improved railways and roads, new hospitals and schools, and improved drinking-water sources.

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in almost every state of the French Community and in the French-administered trust territories of Togo and Cameroun. Recently France also reversed its stand and decided to ask for EEC financing for social projects in Algeria.

De Gaulle's often reiterated position that aid to underdeveloped nations offers an important area for fruitful East-West cooperation, while conceived partially as a political

gambit designed to embarrass the Soviet Union with the Africans, may also presage a major French effort to have international capital channeled into the Community through French economic and social aid programs. Discussion of such international cooperation, whether on an East-West basis, or only using Western and primarily American capital, may play an important part in the scheduled Western meetings preceding the East-West summit conference.

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CUBA UNDER FIDEL CASTRO

Prime Minister Fidel Castro's frequently stated objective is the rapid imposition of drastic social and economic reforms so as to improve the lot of Cuba's



FIDEL CASTRO

lowest income groups and, by a more efficient organization of production, to produce more wealth and a greater degree of economic self-sufficiency. He uses these objectives to justify the establishment of tight

state controls over the economy. In attempting to build an authoritarian political machine based on mass support, Castro is turning more and more to Communist-oriented advisers, and Communists are benefiting from the demagogic tirades against the rich and against the United States that Castro uses to mobilize his mass following.

The Communists

The Popular Socialist (Communist) party (PSP) of Cuba, which has some 17,000 members including its youth section, has made steady gains since Castro came to power last January. The party has benefited directly from the actions of such highly placed sympathizers as armed forces chief Raul Castro, economic and foreign policy adviser "Che" Guevara, and agrarian reform chief Antonio Nunez Jimenez, all of whom have been instrumental in securing important government positions for known Communists.

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The armed forces and the agrarian reform machinery have been penetrated by Communists whose potential for infiltrating the economic organizations of the state was greatly enhanced by the appointment on 26 November of "Che" Guevara to head the National Bank. Osmani Cienfuegos, named minister of public works the same day, is the first probable Communist to secure a post in the cabinet.

In contrast to Communist policy in Guatemala during the Arbenz regime, when an attempt was made rapidly to build a mass party, the PSP in Cuba appears to be concentrating on quality rather than quantity. The slow recruitment and emphasis on indoctrination suggest considerable care in the selection of new members, particularly in view of the extremely favorable conditions existing for the party's growth.

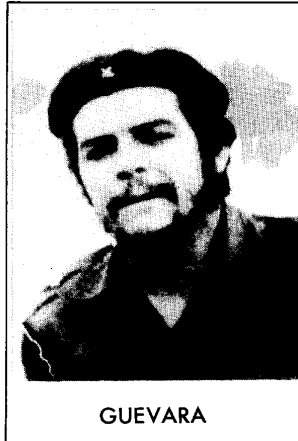
Cuban Communists appear to realize that the freedom they now enjoy is still dependent on the toleration of Fidel Castro and that overstepping the



RAUL CASTRO

bounds would cause Castro to react against them. Only in organized labor have the Communists gone to the extent of antagonizing pro-Castro elements in an open fight to extend their influence.

Castro has publicly declared that he will never permit the revolution to be stolen from him or from his 26 of July Movement. What the Communists evidently hope to achieve in the



GUEVARA

near future is acceptance into the government with control over economic sources of power and such potent groups as the armed forces and organized labor. Their pose as the staunchest defenders of the revolution tends to further these objectives.

Formal seizure of power is probably not an immediate Communist objective. It is already evident that the present regime, partially because it is nominally non-Communist, may be serving world Communist objectives as effectively as would an outright Communist government--through its bitter anti-US propaganda throughout Latin America, its disruption of private US investments, and the implicit threat to US security interests in the Caribbean area.

On the other hand, a growing number of observers, including former Costa Rican President Jose Figueres, maintain that the real Communist objective in Cuba is to create a situation that would force the United States to intervene militarily. Such a "Hungary in reverse" would be a potent propaganda weapon for Moscow.

Political Factors

Although Castro is fast losing the support of the middle

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class, which is larger and more influential in Cuba than in most Latin American countries, several important factors remain strongly in his favor. The bulk of the Cuban people, especially those in the lowest economic strata, continue their strong emotional attachment to him. The core of military and administrative officials is also dedicated to him. His virtual monopoly of plans for social and economic reform, which the majority of Cubans regard as desirable and necessary, also enhances his position. The opposition, divided and lacking effective leadership, offers the public little in the way of a desirable alternative to Castro.

The course of the regime in the near future is likely to be further to the left and increasingly authoritarian. Castro has firmly stated that there will be no national elections until the objectives of the revolution are realized--at best many years from now.

He considers the political processes associated with elections as serving merely to confuse and divide the people--a view that has not led to strong opposition to him, since most Cubans, from years of experience with corrupt politicians, take a cynical view of elections. The gigantic mass rallies organized periodically to endorse Castro's policies enable him to claim overwhelming popular support. Meanwhile, he is resorting to many of the same tactics he violently attacked during his war on the Batista dictatorship.

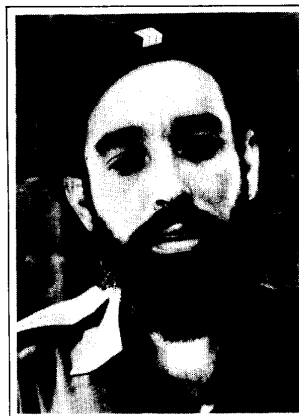
Economic Factors

The effects of the drastic and hastily implemented reforms could eventually be so disruptive as to bring economic collapse. Such a collapse is not believed imminent, however. The expanded economic functions being assumed by the state will partially compensate for the drying up of foreign and do-

mestic private investment. The state, by such measures as a unified tax program, public bond issues, and the "patriotic contributions" from organized labor and other groups, has more thoroughly mobilized the sources of domestic revenue than had its predecessors. If necessary, it is likely to resort to more drastic measures, even to the forced transfer of private savings to government bonds.

Agrarian reform has progressed rapidly and is revolutionizing rural Cuba. The reform law passed in May has been stringently and often arbitrarily interpreted, particularly against extensive cattle holdings. Apparently these have been taken over without formal expropriation or compensation, and much of the land has already been turned into cooperatives under control of the National Agrarian Reform Institute (INRA), rather than distributed--as promised--among the peasants who work it.

INRA Director Nunez said on 4 December that 485 produc-



NUNEZ

tion cooperatives and 440 consumer cooperatives, probably "peoples' stores," were operating. The effects on food production have not as yet caused severe shortages or, at least in rural areas, substantial price increases, since the "peoples' stores" are restricted to a 10-percent profit. Food

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prices are rising, however. The government has levied a three-cent-per-pound tax on rice and one-cent-per-pound tax on potatoes to help purchase agricultural machinery. Controls on imports have reduced supplies of foodstuffs and other goods.

Sugar, which constitutes about 80 percent of Cuban exports, will be affected by INRA's land expropriations after next spring's harvest. The immediate effect is unlikely to reduce production substantially. There are persistent rumors that Cuba may abandon the International Sugar Agreement and seek to increase its exports above its assigned quota. If all restrictions were lifted, Cuba could probably double its sugar production. Some Cubans maintain that by concentrating on volume of sales, Cuba could afford to consider price a secondary factor. Others believe it doubtful whether Cuba could find sufficient markets to dispose of greatly expanded sugar exports, even at very low prices.

Cuba's foreign exchange reserves, already at an abnormally low level, will go even lower before the proceeds of the coming sugar harvest begin to arrive in January. On taking over as National Bank head, Guevara admitted that a period of austerity may be required. Guevara, now in a position to determine the allocation of foreign exchange, will attempt to shift the pattern of Cuban trade away from dependence on the United States--an objective he considers a requisite to real Cuban independence. He is likely also to promote barter trade in an attempt to conserve exchange.

Foreign Affairs

Castro's basic suspicion of US motives, which he exploits in his demagogic attempts

to mobilize his mass following, strongly suggests that Cuban-US relations are unlikely to improve appreciably as long as he remains in power. It is notable, however, that private American property has not yet been subjected to discriminatory treatment, and agrarian reform appears thus far to have been implemented impartially as regards holdings of foreigners.

On the broader international scene, Cuba served notice at the opening of the UN General Assembly last September that it intends to follow a neutralist policy in the "cold war." By abstaining on the UN moratorium on Chinese representation, Cuba broke the solid Latin American front against admitting Communist China to the UN. There is evidence that "Che" Guevara has become an important influence in the formulation of this "neutralist" foreign policy since his return from a three-month trip last summer to nine Afro-Asian countries and Yugoslavia.

Cuba's efforts to convince other Latin American nations that their interests would be served by joining the Afro-Asian countries in a neutralist bloc have not yet been effective. Other Latin American governments--even that of Venezuela, which materially supported Castro's war on Batista--are alarmed at the course of events. Cuba appears to be seeking its objectives by appealing over the heads of the governments to disaffected elements in several Latin American countries.

The new Cuban-subsidized Latin American news agency, Prensa Latina, has played an active propaganda role in this effort, and the several officially inspired Cuban "revolutionary" missions sent to various Latin American countries have had a frankly propagandistic purpose. The resolution passed at the congress of the Cuban Workers' Confederation

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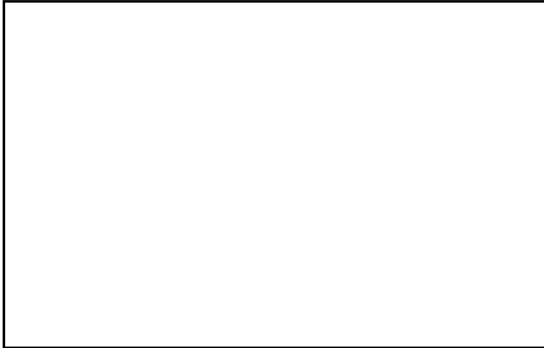
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to found a "revolutionary" Latin American confederation, to name labor attachés to Cuban diplomatic missions abroad, and to send special labor emissaries throughout Latin America to spread the word of the Cuban revolution is a further indication of a stepped-up effort to reach disaffected and extremist labor elements elsewhere in the hemisphere.



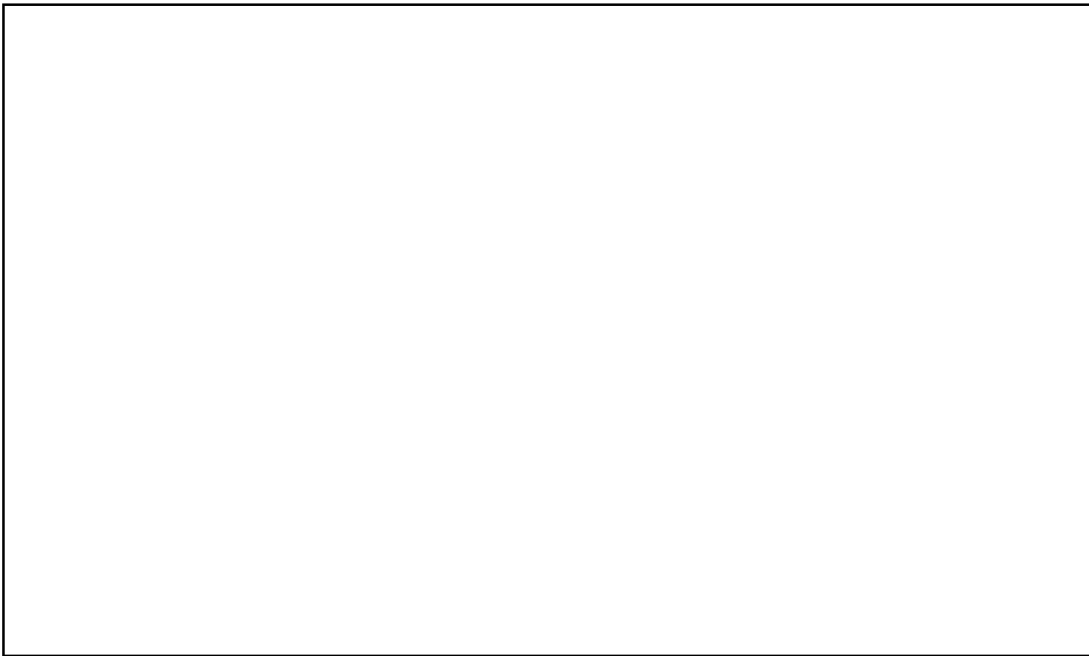
In some instances the Cubans have resorted to direct subversion. The revolutionary incursions into Nicaragua and the Dominican Republic last summer were clearly mounted by Cuban officials. The incursions into Panama and Haiti may also have been. More subtle methods were evident in Panama, where Cuban "newsmen" were prominent in organizing and leading the nationalist anti-US demonstrations against the Canal Zone on 28 November.

The Sino-Soviet bloc, particularly Communist China, has shown considerable interest in Cuban developments. Moscow views Castro's advent in Cuba as a "turning point" marking "a new stage in the national liberation struggle in Latin America" and has welcomed the opportunities for Soviet exploitation. Several bloc economic missions have visited Cuba, bid on projects, and reportedly offered credits. Cuban economic delegations have been welcomed to bloc countries.

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