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16 February 1961

CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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CURRENT INTELLIGENCE WEEKLY SUMMARY

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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

LAOS Page 1

Laotian officials appear receptive to the US proposal for a neutral nations commission--made up of Burma, Cambodia, and Malaya. General Phoumi has announced his readiness to visit Phnom Penh in what is likely to be a fruitless effort to persuade Souvanna Phouma to return to Vientiane. There has been little change over the week in the military situation. In recent private talks with Western officials, Soviet Foreign Ministry representatives have indicated that Moscow's reply to the British proposal of 21 January regarding reactivation of the International Control Commission (ICC) will probably point out that any such commission must be preceded by an international conference to restore peace in Laos. Peiping has taken this position publicly. The bloc airlift into Laos continued throughout the week.

[Redacted]

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CUBA AND CENTRAL AMERICA Page 4

Soviet technicians are en route to Havana to design the first two industrial projects to be built under the Soviet credit to Cuba, and steps are being taken to implement other bloc agreements. Castro's assertion in a 12 February speech that Cuba has the "right to encourage revolution in Latin America" probably reflects his intention to increase propaganda and clandestine activities in the area. Nicaragua and Honduras are still in disagreement over how to proceed in implementing the recent arbitral award of a long-disputed area to Honduras, and public feeling on the issue is high in both countries. The interim civil-military government in El Salvador is slowly gaining popular acceptance at home, and six Latin American countries have now recognized it.

[Redacted]

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CONGO Page 8

The uncompromising position set forth in the Soviet statement of 14 February seems to preclude any intention to negotiate a settlement of the Congo problem and suggests that Moscow hopes Lumumba's death will lead to the collapse of the present UN operation through the withdrawal of the remaining Afro-Asian contingents. The omission from the statement of a specific reference to the United States apparently is intended as a gesture of restraint. In the Congo, there have been only isolated

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PART I (continued)

incidents of African actions to avenge Lumumba's death.

[Redacted]

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PART II

NOTES AND COMMENTS

AFTERMATH OF KHRUSHCHEV'S AGRICULTURAL TOUR Page 1

Khrushchev has returned to Moscow from an 18-day tour of key agricultural areas, where he advanced detailed proposals for increasing Soviet agricultural production and made it clear that local leaders will be held directly responsible for carrying them out. Several personnel changes have already taken place; more changes will probably occur as subordinates are made scapegoats for the failures of their chiefs. [Redacted]

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ALBANIAN PARTY CONGRESS Page 2

Albanian party leader Hoxha's opening address to the fourth party congress on 13 February stressed views at variance with those of the USSR. He claimed that the United States is preparing to unleash another world war, and blamed the United States, Greece, and Yugoslavia for a recent coup attempt which, in fact, probably was planned by pro-Soviet elements in the Albanian party. He also called for Chinese Communist participation in future summit talks, a proposal not mentioned by the USSR since last May. Hoxha may be planning an anti-Western show trial of those involved in the coup attempt--a move that Moscow would not welcome at this time. [Redacted]

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HUNGARY AFTER THE THREE-YEAR PLAN Page 3

Hungary has achieved or surpassed most of the goals of its Three-Year Plan (1958-60) and has overcome most of the effects on the distribution of the national income following the 1956 revolt, when investment needs were sacrificed to make more consumer goods available. Nevertheless, the continuing unfavorable balance of trade leaves Hungary in a difficult position this year, when payments on the bulk of foreign debts incurred after the revolt begin to fall due. Moreover, the rapid pace of agricultural socialization has created new problems for the economy. [Redacted]

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EAST GERMANY TRIES TO REDUCE VULNERABILITY TO WESTERN SANCTIONS Page 4

Although a new interzonal trade agreement was signed in December, East Germany still is attempting to decrease

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PART II (continued)

its dependence on imports from the West while maintaining the total volume of trade at past levels. It will try to increase production of items now imported from the West, to develop substitutes, and to acquire within the bloc commodities that cannot be produced in East Germany. A complete reorientation of trade is unlikely without considerable assistance from the USSR, which so far has shown no willingness to provide such aid.

[Redacted]

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RECENT EAST GERMAN TACTICS ON BERLIN Page 6

The East Germans appear to be testing the extent to which they can avoid implementing the concessions they offered in December without impelling the West Germans to take countermeasures. The East Germans had promised to relax controls on West Germans traveling to East Berlin and to make technical concessions to facilitate commercial traffic between West Berlin and West Germany; this induced Bonn to reactivate the interzonal trade agreement on 29 December. While recent East German steps appear to be a tactical retreat, in response to an ultimatum by the West Germans, the Communist regime has not withdrawn its claim to the right to control the movement of West Germans into East Berlin--i.e., to sovereignty over East Berlin. Although Moscow presumably permits these East German probing actions, it has not openly involved itself and apparently does not wish to create a crisis over Berlin at this time.

[Redacted]

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[Large Redacted Area]

BURMESE ARMY SHAKE-UP Page 9

The ouster by General Ne Win of 11 senior officers from their commands in Burma threatens at least temporarily to weaken the army's ability to maintain internal order and stability. These officers, removed because of their opposition to U Nu's government and its policies,

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PART II (continued)

include several of the army's most experienced field commanders and capable administrators. Moreover, they were favorably disposed toward the West, and their removal may decrease Burma's receptivity to US material and training assistance. Dissatisfaction with the policies of the government and the army command persists within the army. [redacted]

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LONDON SEEKING TO CONFEDERATE SINGAPORE AND BORNEO WITH MALAYA

Page 10

London is promoting a confederation of Malaya, Singapore, and three British territories in Borneo--Sarawak, Brunei, and North Borneo. Malaya is opposing the inclusion of Singapore because of its overwhelming Chinese majority and leftist orientation. The British may hope to win over Malaya by arguing that the presence of the Borneo territories in the confederation would partially offset the harmful influence of Singapore. [redacted]

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RHODESIA-NYASALAND

Page 13

The Federation of Rhodesia and Nyasaland may break up over the issue of African representation in the government of Northern Rhodesia. African nationalists have threatened to institute widespread disorders if Britain does not allow them majority representation in the local legislature, while white leaders in Southern Rhodesia talk of secession if Britain gives in. Southern Rhodesian officials recently conceded that African political influence in their territory should be increased, but in return obtained from Britain broadened powers for Southern Rhodesia's white-settler government. [redacted]

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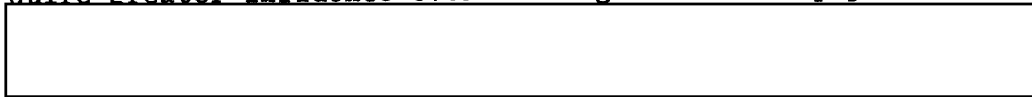
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UNREST IN ANGOLA Page 14

The outlook in the Portuguese possession of Angola, scene of several outbreaks in the last two weeks, appears to be for increasing violence as anti-Portuguese and anti-white extremists, some of them Communist influenced, acquire greater influence over the Angolan native popula-



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FRANCE-ALGERIA Page 15



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Gaulle hopes that his pending meeting with Tunisian President Bourguiba will help make the PAG easier to deal with. The rebels demand a face-to-face meeting with De Gaulle, and Bourguiba is likely to move cautiously so as not to jeopardize his moderating influence on them.

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PROSPECTS FOR ICELAND Page 16

Iceland's Conservative - Social Democratic coalition government has made progress during the past year in its program to overcome inflation and reduce the country's trade dependence on the Soviet bloc. The success of the program, however, is threatened by the Communist-dominated central trade union federation, which is seeking to foment labor unrest and bring about the government's downfall. In the protracted fishing limits dispute with Britain, negotiations remain stalled.

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PART III

PATTERNS AND PERSPECTIVES

CHINESE COMMUNIST ACTIVITIES IN LATIN AMERICA Page 1

Recognition by Cuba last year gave Communist China its first diplomatic ties with a country in the western hemisphere. Sharing Moscow's belief that the Cuban example offers an opportunity for further gains in Latin America, Peiping is willing to accept the cost of sizable economic assistance to Havana. China's strategy for the area as a whole is to expand trade, step up exchanges of cultural and other nonofficial delegations, and increase its influence in local Communist parties.

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PART III (continued)

Peiping's expanding role in Latin America, however, has undoubtedly prompted second thoughts in Moscow, already in disagreement with the Chinese over correct tactics to be used in underdeveloped areas.

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PART I

OF IMMEDIATE INTEREST

LAOS

King Savang is in Vientiane discussing with other Laotian leaders ways of broadening the Boun Oum government's popular appeal and to gain greater international support. The results of these consultations will probably be ratified at a special cabinet meeting expected to be held shortly and to be presided over by the King.

Among the moves reportedly under consideration are a reaffirmation of Laos' neutrality and an announcement of readiness to negotiate with "enemies and rivals--even Souvanna Phouma." The government is apparently prepared to offer Souvanna an important position, possibly as foreign minister or as head of the King's Council. According to present plans, General Phoumi himself will go to Phnom Penh to convey the offer to Souvanna.

Chances are probably less than even that Souvanna will join the Boun Oum government. Aside from his personal animosity toward Phoumi, he apparently remains persuaded that prospects are good for his fairly early return to Laos on his own terms as head of a coalition government of "national reconciliation."

The consultations in Vientiane may result, however, in at least some broadening of the government. The Boun Oum government is generally undistinguished, and a few of its members have reputations for corruption. Its

principal weakness, however, has been the preponderance of members from southern Laos. Wider representation would improve its competitive position with the Communist-supported shadow government in Xieng Khouang, which claims, apparently with Souvanna's approval, to be acting in his behalf as the "lawful government."

Laotian officials appear receptive to the US proposal for the establishment of a neutral-nations commission made up of Burma, Cambodia, and Malaya.

Little significant change in the military situation was reported during the past week. Government forces have moved only a few miles from the junction of Routes 7 and 13 toward the Plaine des Jarres. The Kong Le - Pathet Lao forces are pursuing systematic tactics of delay which have all but stalled the government advance. Aerial observation near the head of the government column has disclosed three large craters on Route 7. The enemy has also felled large trees, engineered landslides in steep defiles, and made extensive use of land mines. Most of the casualties evacuated to Vientiane were wounded by mortar and artillery fragments and, more recently, by land mines.

[redacted] the Kong Le - Pathet Lao forces have introduced light armored vehicles in the Plaines des Jarres area. Five small tracked vehicles similar to the

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Bren gun carrier allegedly arrived in the Plaines des Jarres on 11 February, and three light armored personnel carriers were also noted then. Aerial recon-

naissance also reported the movement of light armored vehicles in the Plaines des Jarres, where the terrain favors the use of armor.

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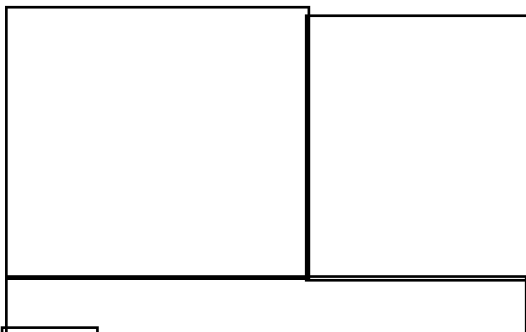
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Aerial reconnaissance during the past week has also revealed that the pro-Communist forces have prepared defense positions on both the western and southern approaches to the Plaines des Jarres. Newly constructed gun emplacements have also appeared, supplementing field fortifications constructed by the French in the Plaines des Jarres during the Indochina war.

Little action has been reported in the Ban Ta Viang - Tha Thom area of southern Xieng Khouang Province; however, there are indications that the anti-government forces may be reinforcing their blocking position at Ban Ta Viang. Sporadic harassment behind enemy lines in Xieng Khouang by progovernment Meo partisans continues to be reported.



will be organized into an army battalion stationed at the village of Namtha; the remainder will be grouped into "village defense" units under army control. They will be used in mop-up operations west of Muong Sai to support government forces in that town and to cut off Pathet Lao reinforcements

from Phong Saly Province who might try to get south of that blocking position.

Soviet Deputy Foreign Minister Sobolev informed the French ambassador in Moscow on 6 February that the USSR's reply to the British proposal of 21 January regarding reactivation of the International Control Commission (ICC) would point out that any such commission now would have to have both a political and military role; its tasks therefore could only be defined by a new international conference. He said this was also the position of China, North Vietnam, and Cambodia.

Since the US administration took office, Moscow has not officially commented in its propaganda on recent proposals to reach an international solution in Laos. The line the bloc will probably take is reflected in Chinese pronouncements. Chou En-lai, in a letter sent to Cambodia's Prince Sihanouk on 11 February and broadcast by Peiping on 15 February, said China is against reactivating the ICC under "present conditions in Laos." Before the ICC could return, Chou said, an international conference must re-define its duties.

During the past week, other bloc spokesmen have maintained their opposition to a reactivation of the ICC without first convening an international meeting. Polish officials in Warsaw and Moscow, in several

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conversations with Western ambassadors, have clearly stated this position, and a high-ranking Soviet diplomat [redacted] that Moscow would not agree to the British proposal.

Soviet spokesmen in Moscow seem anxious to appear responsive to recent US statements that developments in Laos have a direct bearing on Soviet-American relations. Two senior Soviet journalists told a US Embassy official in Moscow that the USSR did not want an international crisis at this time over Laos. They said that as far as Moscow is concerned the Laotian crisis could easily be solved by compromise, but added that Peiping had quite a different attitude which would make a general agreement difficult.

In view of the bloc's apparent intention to prolong diplomatic exchanges as long as possible, it is likely that Soviet leaders find it convenient to attribute this inaction to Chinese intransigence

in talks with non-Communist diplomats. In the past Soviet spokesmen have alluded to Sino-Soviet differences over Laos in discussions with Western representatives, apparently hoping to exert pressure on the US to limit its military commitment in Laos.

Bloc airlift operations between North Vietnam and Laos continued at normal levels throughout the week. Some of the Soviet LI-2s continue shuttle flights between Hanoi and Haiphong. Supplies are apparently arriving by sea at Haiphong.

[redacted] North Vietnamese authorities provided a list of ship arrivals and cargoes which indicated that some ships arrived empty and none contained military cargo, but the Indian ICC team chairman stated that the sound of trucks leaving the docks during this period had kept him awake every night.

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CUBA AND CENTRAL AMERICA

Cuba

A group of six Soviet technicians left Moscow for Havana on 9 February to begin design work on the first two

industrial projects the USSR will build under the \$100,000,000 credit extended to Cuba a year ago. One of the plants will repair various types of machinery and equipment and

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produce spare parts for Cuba's deteriorating industrial establishment. No date was announced for the start of construction. On the same day a group of 88 Cuban students sailed from Cuba aboard a Soviet ship for five years of technical studies in the USSR.

Communist China, despite its own economic difficulties, is making a substantial effort to fulfill its commitments to Cuba. More than 30 Chinese-chartered merchant vessels are currently engaged in the Cuban trade. Most of these are being used to deliver the million tons of Cuban sugar Peiping promised to buy this year, but some are carrying Burmese rice and other commodities to Cuba.

Fidel Castro's 12 February speech to members of Cuban technical advisory councils--state-created workers' committees responsible for setting production norms in nationalized enterprises--included vitriolic attacks on alleged United States aid to anti-Castro forces. Castro asserted, "As of today Cuba is going to declare that if the United States has the right to promote counterrevolution in Cuba and Latin America, Cuba has the right to encourage revolution in Latin America."

Castro's statement probably means continuance of Cuba's covert assistance to leftist and Communist dissident groups in

other countries, and also a substantial increase in the amount and variety of its propaganda efforts throughout the hemisphere. The construction of a powerful radio transmitter in Havana Province--which Castro cited as a source of "worry" to the United States during his speech--should materially enhance the Cuban propaganda potential in this field.

Overt attempts to overthrow other regimes would probably be discouraged by the failure in 1959 of several Cuban-based invasion attempts against Panama, the Dominican Republic, and Haiti and probably by a desire to avoid providing an excuse for open retaliation against Cuba by the Organization of American States.

Castro devoted a considerable portion of his speech to extolling the economic accomplishments of his government, and he contrasted the "success" of the Cuban economic system with the "failures" and "problems" of the US economy. He also said that the "most difficult" economic task remains to be met--that of industrialization. He related that government plans to tackle this problem include the designation of 1962 as the "year of industrial planning and development," and the announcement of a four-year industrialization plan early next year. The emphasis which Castro gave to this subject may indicate an effort to pave the way for the eventual assumption of a new Ministry of Industry portfolio by economic

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tsar Che Guevara, who spoke at the same meeting.

Despite Castro's assertion that Cuba has no economic problems, a 7 February editorial by virulently outspoken Radio Mambi in Havana described "discontent and a certain malaise in various segments of the population" due to material shortages and spare parts problems. Among the economic irritants described in the editorial were the lack of parts for repairing automobiles, appliances, and machinery, and the growth of a black market in such consumer goods as salt, soap, razor blades, pencils, toilet paper, and other articles.

A blackout has been imposed on news of the progress of the campaign against anti-Castro forces active in the Sierra Escambray area in central Cuba. Government spokesmen have maintained that the regime will not issue a communiqué until "mopping-up operations" are completed and total victory is assured. Reports of heavy fighting and rumors of victories by each side are continuing to circulate throughout Cuba, and several reports indicate a growing number of casualties among both government and counterrevolutionary forces.

Unconfirmed reports that a large anti-Castro force has landed in northeastern Oriente Province are circulating in the area

[redacted] roadblocks have been erected by the government on all roads leading into the city of Guantanamo.

A group of leading Arab Communists, who were among the 1,000 visitors participating in the commemoration of the second anniversary of the Cuban revolution last month, reported that Cuban Communist leaders described the alliance between the Castro regime and the Communists' Popular Socialist party (PSP) as "exceedingly close." The Cubans also told the Arabs that the PSP is, with Castro's consent, in majority control of all the "organizations which direct the masses," and they maintained that the Cuban revolution will play the same role in Latin America as the Russian and Communist Chinese revolutions did in Europe and Asia.

Nicaragua-Honduras

Nicaragua and Honduras still are in disagreement over implementation of the November 1960 arbitral award of a long disputed territory to Honduras. Honduran President Villeda Morales is under strong domestic pressure to move his forces quickly into the area--part of which has been occupied by Nicaraguan troops for more than 50 years. Nicaraguan President Somoza, while stating his government's intention to abide by the award, is insisting that it be implemented in an orderly fashion, that the rights of the

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few thousand persons in the area be protected, and that those desiring Nicaraguan citizenship be resettled in Nicaragua. Somoza also insists that certain portions of the border, not clearly delineated in the original 1906 award upheld by the International Court last November, be definitively settled before implementation.

On 9 February, the Nicaraguan Government received a Honduran note declaring, in effect, that the only way the award can be implemented is for Nicaraguan authorities to withdraw from the area immediately. The Nicaraguan foreign minister interpreted this as an indirect termination by Honduras of discussions on the issue. The foreign minister has said, however, that if Honduras should succumb to political pressures and move troops into the area, Nicaragua would expel them. On 15 February, Nicaragua announced that it would request the Inter-American Peace Committee of the OAS to settle the issue.

Popular emotions on the issue are high in both countries and restrained only temporarily in Nicaragua by restrictions on some civil liberties. Opposition groups are exploiting the issue, and neither President can ignore popular sentiment without endangering the stability of his regime. The situation is further aggravated by the long-standing antagonisms between the two countries and by the numerous and continuing forays into Nicaragua by Nicara-

guan guerrilla bands from Honduras, some of which have been assisted by Honduran officials.

El Salvador

The new civil-military directorate seems to be gaining acceptance from the Salvadoran public--including the non-Communist students who had generally opposed the new regime. The oligarchy of wealthy landowners and businessmen appears to be adjusting its extremely conservative outlook in response to a direct government request to support the social and economic reforms necessary to avert an eventual triumph of Communism. The armed forces have issued a declaration of support signed by virtually all officers.

The local Communist party is reported to have issued secret instructions to concentrate on infiltrating the army, improving discipline in clandestine activities, and organizing the "revolutionary front," and to avoid the use of violence until directives and material aid are received from "abroad."

[redacted] a Communist-led general strike would not succeed while the key Communist labor officials remain in exile.

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The main threat to stability for the next several months appears to be the possibility that the army-dominated directorate may continue to exercise control without holding elections

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and may fail to carry out its promises of needed social and agrarian reforms.

Honduras, Argentina, Mexico, and Chile have recognized the new regime, bringing to six

the number of Latin American countries which have done so. Venezuela, which had not recognized the previous junta, has indicated that it will wait until elections are held before deciding.

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CONGO

Moscow's massive campaign protesting Lumumba's death reflects the Soviet leaders' confidence that this has provided an unprecedented opportunity to exploit their militant anti-colonialist line and underscores the USSR's support for extremist, anti-Western forces throughout Asia and Africa. The Soviet Government's statement of 14 February confidently predicted that Lumumba's death "will awaken to life fresh forces of the national liberation movement in the Congo and in all Africa." The USSR's intention to exploit Lumumba's death to the maximum provides further evidence that Khrushchev is not prepared to forego taking advantage of such opportunities to advance Soviet influence and prestige in the Afro-Asian world in order to avoid offending the Western powers.

However, the Soviet Government's statement did not mention the United States by name and instead placed responsibility for Lumumba's death on the "colonialists, and above all Belgian colonialists."

Soviet propaganda has not directly implicated the US in its condemnation of "colonialists." This has been the pattern of Soviet coverage of the Congo since the US administration took office. The omission of specific references to the US apparently is intended as a gesture of restraint toward Wash-

ington. Expressions of shock and regret by President Kennedy and Ambassador Stevenson were reported factually without comment by TASS.

Khrushchev's cordial message of 15 February in reply to President Kennedy's congratulations on the launching of the Soviet Venus rocket probably was intended as a sign that the USSR hopes to prevent reaction to events in the Congo from obstructing an improvement in US-Soviet relations. Khrushchev welcomed the President's offer of cooperation in the exploration of space and other tasks, and stressed that a disarmament agreement would create favorable conditions for solving these "noble tasks."

In contrast to Soviet restraint, Peiping's statement on 14 February specifically condemned the United States along with Belgium for this "vile and cruel attack" against the "cause of national independence of the Congolese and all African peoples."

The extreme demands made in the Soviet statement seem designed to block any Western-backed UN action to deal with the Congo crisis. It demanded:

(1) Condemnation of the "actions of Belgium" as an "international crime." It called for "appropriate sanctions" against the "aggressor."

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(2) Arrest and trial of Tshombé and Mobutu, disarmament of their forces, and removal of all Belgian troops and personnel from the Congo.

(3) Termination of the UN operation in one month and the withdrawal of "all foreign troops" from the Congo.

(4) The dismissal of Hammarskjold. Moscow served notice that it will not maintain any relations with him and will not recognize him as an "official of the UN."

(5) Assistance to the "legitimate government of the Congo led by acting Prime Minister Antoine Gizenga." The USSR declared that it is ready to "render all possible assistance and support to the Congolese people and its legitimate government."

This uncompromising position seems to preclude any Soviet intention to negotiate a settlement of the Congo crisis. The Soviet leaders apparently hope Lumumba's death will lead to the collapse of the present UN operation through the withdrawal of the remaining Afro-Asian contingents--most immediately those of Morocco, Ghana, and Indonesia. Moscow would vigorously exploit any move to introduce Western troops into the Congo as an attempt to reimpose colonial rule. The Soviet leaders, moreover, would probably believe that direct Western intervention would make it extremely difficult or impossible for the West to marshal moderate Afro-Asian governments

in support of a new approach for a Congo settlement.

In addition to the attempt to discredit and terminate the UN operation, Moscow is seizing upon Lumumba's death as a pretext for reviving charges against Hammarskjold--now described as a "miserable lackey of the colonialists." Moscow's violent attack on the secretary general reflects the frustration the Soviet leaders have felt since Lumumba was overthrown and bloc missions were expelled from the Congo last September. The Soviets selected Hammarskjold as the scapegoat for these setbacks.

Moscow's demand for his dismissal does not appear to foreshadow any more drastic action such as a Soviet-led bloc withdrawal from the UN. This latest statement only makes more explicit the position Khrushchev took last fall before the General Assembly when he warned that Hammarskjold's failure to resign would lead the USSR to draw the "necessary conclusions" and threatened to withhold Soviet cooperation with any of his decisions.

Hammarskjold is unlikely to resign as long as he believes he has the support of a majority of UN members, particularly the smaller powers. Withdrawal of recognition of Hammarskjold as the secretary general by the USSR will make UN operations more difficult but not impossible. The USSR will have to conduct usual business with the UN Secretariat, the staff of which is predominantly loyal to Hammarskjold. The USSR vetoed

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the reappointment of his predecessor, Trygve Lie, in October 1950, linking him to the UN action in Korea. The General Assembly later that year extended Lie's appointment for three years. The Soviet bloc responded by officially ignoring Lie as secretary general for the ensuing two years. This pressure finally forced him to resign in 1953.

According to a high official in the UN Secretariat, Hammarskjold has already ordered the UN force to occupy airfields and other communication centers and to set up military control points in areas of Congolese military action. The UN Command reportedly has been ordered to stop all forces engaged in offensive action but to use force only if force is used against it. Execution of these orders will primarily affect Mobutu's operations in Equateur Province and Tshombé's offensive in northern Katanga. The UN command is now attempting to establish a 50-mile-wide neutral zone on the border of Equateur and Orientale Provinces. However, the small size of the UN units, coupled with the equivocal nature of the directives themselves, will render effective UN control difficult.

Hammarskjold's order to UN forces reflects a heightened sense of urgency as a result of Lumumba's death. Neutralist nations reportedly believe that the Security Council should pass an emergency resolution urging that all possible measures be taken to avoid civil war and calling for the cessation of Belgian and other foreign interference.

Lumumba's death has aroused a general world-wide reaction against Katanga and through association, Belgium and the Kasavubu government. Belgian installations in several capitals, including Moscow, Belgrade, Warsaw, Cairo, Khartoum, and Dakar were attacked by mobs. On 15 February, East Germany, Yugoslavia, Guinea, and Ghana recognized Gizenga, and other bloc and some neutralist states will probably follow suit. The controlled UAR press has reported to Nasir "will fully recognize" Gizenga's regime as "a lawful and national government." Even in some of the moderate French-speaking states which were represented at the recent Brazzaville Conference, there is reported to be criticism of the Kasavubu government.

Prime Minister Nehru of India sent a strongly worded statement to Hammarskjold demanding vigorous and prompt action to punish Lumumba's killers and to stop external aid to Tshombé and Mobutu, who, he said, shared responsibility for Lumumba's death. He offered to send troops to the Congo provided that the UN operation there becomes "effective." Earlier he stated that the goal of the UN Command should be to encourage a "unified, independent, sovereign Congo republic" and that it should take military action if necessary to attain this goal.

Ghana's Nkrumah sent an "ultimatum" stating that Ghanaian forces would be withdrawn from the Congo if all Congolese troops had not been "completely disarmed" in one month's time.

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However, he was prepared to increase the Ghanaian troop contingent of 1,900 men to accomplish this objective.

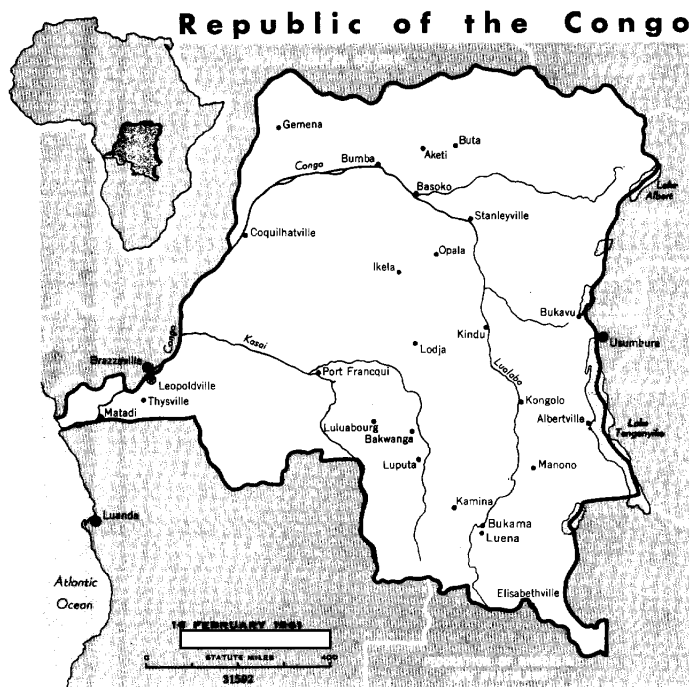
Representatives of Nigeria, a leader of moderate Afro-Asian opinion, have stated that if Hammarskjold moves rapidly to take over temporary control of the Congo, Nigeria would increase its military commitment to the UN force. Otherwise, they said the Nigerian units would be withdrawn.

Sekou Touré of Guinea accused Hammarskjold of personal responsibility for Lumumba's murder. The Ethiopian demanded that Hammarskjold bring those responsible for Lumumba's death immediately to justice.

Hammarskjold reportedly sees these communications as a "letting off of steam." He apparently believes that these African and Asian leaders will realize the limited military potential and narrow mandate of the UN force and will moderate their positions.

In the Congo, although the official Katangan version of Lumumba's death is not accepted, there has not been any loud outcry. On 15 February there were minor attacks on Belgians at scattered points in the Congo. The American consul in Elisabethville believes that it is most likely that the deposed premier died in mid-January as a result of a miscalculation on the part of his captors of the amount of physical punishment he could endure. The investigating UN team --Ethiopian General Iyassu and Swiss Sureté official Knecht--has made little progress against the solid opposition by Katanga authorities.

On 12 February Mobutu's force was to begin a "peaceful penetration" of areas held by Gizenga's troops, and most of his military equipment has arrived in Equateur Province by barge from Leopoldville. Mobutu's plan to "win back Stanleyville" apparently relies more heavily on disaffection among his opponents than on military operations.

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In northern Katanga, Tshombé's operation against opposing tribal groups has so far met little resistance from

Baluba forces, and the Katangan troops are advancing up the rail line from Luena toward Bukama.

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PART II**NOTES AND COMMENTS****AFTERMATH OF KHRUSHCHEV'S AGRICULTURAL TOUR**

Khrushchev's 18-day tour of key Soviet agricultural areas has left party leaders throughout the country keenly aware of their personal stakes in the future of Soviet farming. Khrushchev advanced detailed proposals for increasing agricultural production in each area he visited, and made it clear that local leaders will be held directly responsible for carrying them out. Several personnel changes have already taken place; more will probably be made as responsible officials seek to shift the onus for past failures onto their subordinates.

Khrushchev returned to the Kremlin on 12 February after a swing through the Ukraine, the North Caucasus, Georgia, and Voronezh Oblast. His proposed visit to the New Lands of Kazakhstan and Siberia has not yet taken place, however, and there is no indication when he intends to visit this area.

Khrushchev's speeches during the tour were generally more moderate in tone than his remarks at the January central committee plenum. In the main, he kept his criticisms general and left the recitation of specific shortcomings to the principal party chief in each area.

Local leaders have been prompt to seek scapegoats. Immediately after Khrushchev left the Ukraine, members of the Republic's party presidium went to several oblasts, where they "explained" the work of the plenum at which they had been forced to admit their own

poor records of leadership. In Odessa and Lvov, Ukrainian party boss Nikolay Podgorny--a particular target of Khrushchev's ire in January--supervised the replacement of the oblast first secretaries.

A similar shake-up took place in Armenia shortly after Khrushchev's address in Tbilisi on 7 February. A plenum of the Armenian central committee elected Ager Melkonyan, a former deputy minister of agriculture, to the central committee secretariat and bureau, apparently to replace B. Ye. Sarkisov, who was responsible for party supervision of agriculture in Armenia.

Personnel changes have also been made in areas not included on Khrushchev's itinerary. The oblast party chiefs in Smolensk and Kirov (RSFSR) and in Mary (Turkmen Republic) have been fired, and unconfirmed reports indicate that a major shake-up of the Kirghiz party leadership has resulted in the ouster of six members of the republic central committee and the dismissal from the party of central committee member Mukhambet Isayev. The latter's fraudulent activities were exposed at the January central committee plenum when Khrushchev demanded to know why he had been removed as first secretary in Tyan Shan Oblast last summer only to gain subsequent appointment as republic internal affairs minister.

The flurry of personnel shifts seems likely to continue, and Khrushchev is likely to remain personally attentive to

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agricultural affairs, at least until the next harvest. The situation was summed up at the recent meeting in Tbilisi by party presidium candidate

Vasily Mzhavanadze: "We know that Nikita Sergeevich will tell us the bitter truth to our faces and will perhaps again criticize us very justly and deservedly." [redacted]

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ALBANIAN PARTY CONGRESS

There were no indications during the first three days of the fourth congress of the Albanian Workers (Communist) party that Tirana intends to abandon its pro-Chinese attitudes in favor of a pro-Soviet orientation. In a belligerent opening address on 13 February, party leader Enver Hoxha called for Chinese participation in any summit talks, an issue not raised by the USSR since Khrushchev's speech of 28 May 1960, immediately after the breakdown of the Paris summit meeting. Hoxha said President Kennedy was continuing his predecessor's plans to initiate a third world war. He also claimed that the United States, Greece, and Yugoslavia had collaborated with Albanian "traitors" some months ago to overthrow his regime.

The level of bloc delegations is comparable to those sent to the last Albanian congress in 1956, but is lower than delegations to other satellite congresses in the last two years. Those from Communist China, North Korea, North Vietnam, and Czechoslovakia are led by presidium or politburo members, but most are headed merely by central committee members. Every delegation contains ideological,

propaganda, or party discipline specialists, and several include participants in last November's conference of Communist parties in Moscow. Petr Pospelov, candidate presidium member, heads the Soviet delegation, as he did in 1956.

The ideological specialists in the Soviet and European satellite delegations are probably working in private to sway the Albanian leadership from its pro-Chinese course. An anti-West, anti-Yugoslav, pro-Chinese propaganda line preceded the congress and has been maintained since the meeting began. This, along with Hoxha's charge of Western complicity in the coup attempt, has committed his regime to policies at variance with those of Moscow. Moreover, his statement that some of the coup participants, along with evidence of their activities, are in the "hands of the people's justice" suggests that he intends to stage an anti-Western show trial sometime soon. Such a trial would inevitably have overtones offensive to Moscow.

Contrary to Hoxha's contention, the abortive coup attempt --which occurred last summer-- was probably planned by pro-Soviet elements in the Albanian party and military forces,

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possibly at Soviet instigation, to force a change in the pro-Chinese Hoxha leadership. One district party leader and two district government chiefs were removed sometime between July and September. In early September, politburo member Liri Belishova and Auditing Commission chief Koco Tashko were relieved of their posts. According to various reports, between 200 and 500 party members in all were removed during this period.

Close Albanian-Chinese relations were underscored by the arrival in Albania on 9 February of a Chinese "friendship" delegation that is now touring Albania making speeches and receiving wide attention in the Albanian press. Continued Chinese Communist support for the Albanian party was strongly implied in the speech of Chinese Presidium member Li Hsien-nien to the congress on its second day. [REDACTED]

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HUNGARY AFTER THE THREE-YEAR PLAN

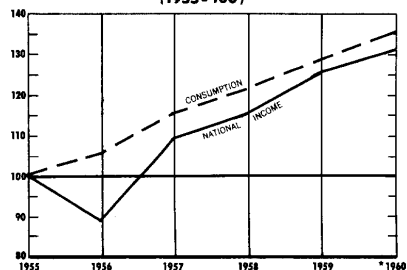
Hungary has achieved or surpassed most of the goals of the Three-Year Plan (1958-60). It has almost overcome the effects of emergency measures taken after the 1956 revolt on the distribution of national income, has improved its ability to produce industrial exports, and has started modernizing its industrial plant and production techniques without returning to the excessive pace of industrialization of the early 1950s. However, economic plans for 1960 --which were above the Three-Year Plan targets for that year --were not fully met, and planners have set the investment target for 1961 at a level below the average for 1959-60.

The Three-Year Plan replaced the 1956-60 Five-Year Plan, which was abandoned following the revolt. During late 1956 and early 1957, national income was below the 1955 level, and investments were cut to a minimum to make more consumer goods available. During 1958-60 the relationship between national income and consumption virtually returned to that of 1955. However, the growth rate for national income fell last year.

During the Three-Year Plan, national income rose 20 percent rather than the planned 13, investments exceeded targets, real income of consumers increased only moderately, and gross industrial production expanded 40 percent, well above the scheduled 22 percent. Heavy industry's share of total industrial output rose to about the same level as before the revolt. Agricultural production, however, increased less than the planned 12 percent.

The socialized sector of agriculture has increased from 31 to 87 percent of arable land since the end of 1958, and the regime considers this the prime

HUNGARY
NATIONAL INCOME AND CONSUMPTION, 1955 - 1960
(1955=100)



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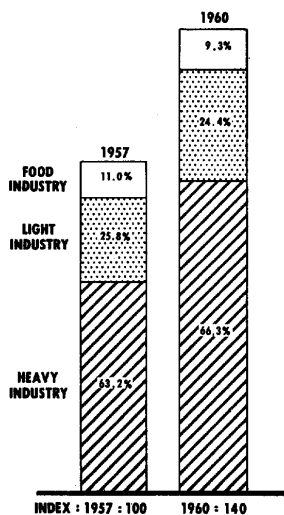
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HUNGARY: INDUSTRIAL PRODUCTION
1957 AND 1960
(1957 = 100)



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accomplishment of the plan period.

However, most immediate economic results of this reorganization have not been favorable. Workers--especially the younger ones--have been transferring from agriculture to industry in excessively large numbers, causing a disproportionate growth of the industrial labor force and depriving agriculture of needed manpower. The regime has been forced to increase

agricultural investments at the expense of other economic sectors; its plans to reduce agricultural investments in 1961 will conflict with the continued need to support collectivization with purchases of machinery and the construction of farm buildings.

Prospects are poor for a substantial growth of agricultural production in the next few years. The outlook for the consumer in 1961 is further darkened by the regime's efforts to tighten labor norms in industry.

Agricultural weaknesses have contributed to the regime's greatest problem--foreign trade. Hungary was able to move from a \$194,500,000 deficit in 1957 to a \$50,000,000 surplus in 1958, but exports have risen much less than imports during the past two years, with a resultant unfavorable trade balance. This year, repayments begin to come due on the principal debts owed other bloc countries; Hungary's indebtedness following the 1956 revolt totaled \$382,000,000. Unless the Soviet Union grants a postponement of the main debt payments, the regime will have to generate an export surplus in 1961, a move which might require domestic austerity measures. [redacted] (Prepared by ORR)

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EAST GERMANY TRIES TO REDUCE VULNERABILITY TO WESTERN SANCTIONS

The East Germans were ill prepared for Bonn's announcement last September that the inter-zonal trade agreement would be abrogated as of the end of 1960. They apparently had taken few precautionary measures to develop alternate sources of supply, in spite of their dependence on West Germany for such products

as rolled steel, chemicals, chemical equipment, and a variety of machinery components.

In emergency steps to minimize disruption of production schedules, the East Germans tried to increase domestic production of items imported from West Germany, conserve existing

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supplies, and find substitute products or immediate alternate sources of supply. Special commissions and working groups were set up to investigate the effects of a cessation of interzonal trade and to find other sources on a long-term basis.

Since the reinstatement of the trade pact on 30 December, East Germany has continued its attempt to decrease its dependence on the West for essential imports while maintaining the volume of trade at past levels. Stressing that the achievement of independence from Western imports remains a major political goal, the State Planning Commission has decreed that any attempt to procure imports from the West in preference to substitutes available from CEMA countries would be considered a "breach of long-range policy decisions taken at the highest party levels."

Industrial and foreign trade planners have been instructed to "achieve independence" from Western supplies by 1962. Wherever possible, domestic production of vital materials will be increased, construction and manufacturing industries will use raw materials produced domestically or available within the bloc, and industry will begin immediately to transform industrial standards from the DIN (German) system to the GOST (Soviet) system. Conservation of materials will continue to be stressed, and domestic products will be substituted for imports wherever feasible. Stockpiling of vital materials not produced in sufficient amounts within the bloc would also appear necessary.

East Germany's program to reduce its dependence on Western supplies apparently was not Soviet inspired but no doubt has Moscow's approval. Reduction of vulnerability to Western economic sanctions would increase the bloc's ability to implement diplomatic and strategic moves affecting Berlin.

There is some question, however, concerning Soviet willingness to absorb the cost of this program. The Soviets reportedly agreed initially to increase their own shipments of needed supplies to East Germany if those from West Germany were cut off. Now that interzonal trade has been re-established, however, Moscow has retracted its offer, at least for some commodities, and apparently does not plan any major adjustments in its economic plans or in those of other CEMA countries in order to accommodate East Germany. Some Soviet aid perhaps can be expected to result from negotiations now under way in Moscow, but it is unlikely that it will be of the scope originally anticipated by East German planning officials.

East Germany's success in pursuing its new trade policy toward the West will depend on how efficiently it expands its domestic production and uses available raw materials, as well as on its ability to adjust its trade with both the West and the bloc without disrupting the plans of other bloc countries. East Germany undoubtedly can reduce its dependence on certain of its West German imports, but it is unlikely that the measures instituted thus far will adequately reduce dependence on such important commodities as steel.
(Prepared by ORR)

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RECENT EAST GERMAN TACTICS ON BERLIN

East Germany's recent actions indicate that it is testing West Germany's willingness to take countermeasures to force the regime to carry out its promise to the West Germans to relax controls on the Berlin sector border and make certain technical concessions to facilitate trade between West Berlin and West Germany. The East German promise was instrumental in inducing Bonn to agree on 29 December to reactivate the interzonal trade agreement for 1961. Bonn had abrogated the pact following East Germany's harassing actions against West Berlin last September.

The East German negotiator in interzonal trade talks held on 8 February to discuss the implementation of the 29 December agreement read a long statement to the effect that the regime was not then in a position to carry out its undertakings, claiming that the Federal Republic had violated its promise to maintain complete secrecy on the concessions. As a result, the talks were broken off. On 13 February, however, they resumed, and the East German negotiator took a somewhat more conciliatory attitude, saying that the Communist regime would soon carry out its commitment to permit the sealing of trucks moving between West Berlin and West Germany.

Two days later, the East German negotiator claimed that the regime had implemented certain concessions, relating to trade traffic, that it intended to carry out the others, and that it was studying the matter of border controls. The West German negotiator, not satisfied with this statement on border controls, demanded a satisfactory proposal by midnight. Later that day, East Berlin police announced that new regula-

tions would go into force at midnight to "satisfy and facilitate" the issuance of passes to West Germans to enter East Berlin.

While the regime probably will claim that this police measure fulfills its promise to ease controls, the regulations expressly reassert the validity of the 8 September decree demanding that West Germans secure passes. This decree violates the quadripartite status of Berlin. The East Germans, moreover, are refusing to conclude long-term contracts with West German firms, which require revocable shipping licenses. Bonn had counted on this licensing procedure as a means to hold East Germany to its commitments.

The USSR does not appear to be interested in creating a major crisis over Berlin at this time, but probably is not averse to allowing East Germany to maintain a degree of pressure on the issue. East Germany's tactics suggest that it believes it can maneuver the West Germans into continuing trade, despite the Communist regime's failure to carry out its promises. The East Germans may have estimated --and informed Moscow--that Bonn would be reluctant to take drastic countermeasures to hold them to their commitments.

The East German action in barring a number of high West German Evangelical churchmen from attending religious services in East Berlin on 12 February probably was an attempt to demonstrate publicly the regime's claim to "sovereignty" over the Soviet sector, as well as a further step in its long-term policy of separating the Evangelical congregations in East Germany from their leaders in West Berlin and West Germany. The Communist regime indicated earlier that it

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would not permit the Evangelical Church to hold meetings of its synod in East Berlin, as had been done in the past, but would permit religious services on 12 February. On 9 February party boss Ulbricht delivered a scorching attack on the "NATO politicians" in the Evangelical Church, declaring that they had "no business in the capital of the German Democratic Republic."

The Communist government does not appear to have made any attempt to prevent East German ecclesiastics from attending the synod in West Berlin nor did

East German police bar Bishop Otto Dibelius of Berlin-Brandenburg from attending the religious services in East Berlin. Dibelius has long been a target of abuse and legal proceedings are pending against him in East Berlin courts for "advocating resistance to the state power."

In view of the East German actions, Bonn is considering reinstating its boycott of the Leipzig Fair to be held 5-14 March. The West German cabinet was scheduled to consider the matter at a 16 February meeting.

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BURMESE ARMY SHAKE-UP

General Ne Win's order in early February ousting 11 senior officers from their commands appears to have thwarted any early army coup against Prime Minister Nu's government in Burma. In addition, Ne Win's action underscored his personal



NE WIN

dominance of Burma's career officer corps and his determination that his subordinates support his policies fully. His immediate motive was to ensure the completion of the Sino-Burmese border demarcation project, which he believes is contingent on Nu's remaining premier.

The command shake-up, however, probably will have an adverse effect on the country's political stability. It has weakened the army as the one disciplined base of political power and may undermine its morale and efficiency against the insurgent forces in the country.

The ousted officers made up the core of the army's experienced field commanders and administrators. They opposed Ne Win's original decision to return the government to civilian control in 1960 and continued openly critical of his non-intervention with Nu's inept domestic administration and current rapprochement with Peiping.

Through former army training director Brigadier Maung Maung, the officers had pressed Ne Win for an extension of the American military aid program, despite the general's known irritation with the number of American personnel with the Burmese Army and his fear that they might become a source of embarrassment in Burma's relations with Communist China.

Although these leading critics of Ne Win's policies have now been removed from their influential posts, many of their



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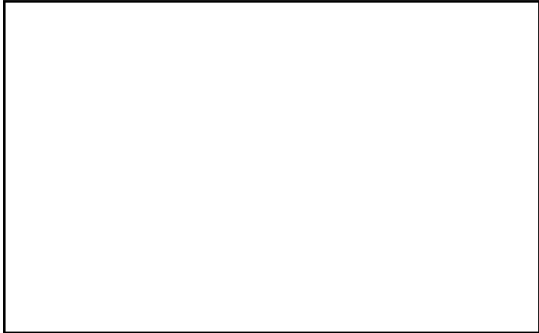
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supporters are still in the army, and probably will continue quiet agitation for more active army influence with the government.



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LONDON SEEKING TO CONFEDERATE SINGAPORE AND BORNEO WITH MALAYA

London is promoting a confederation linking Singapore and the Federation of Malaya with Britain's three Borneo territories--North Borneo, Sarawak, and Brunei. One purpose of Commonwealth Relations Secretary Duncan Sandys' visit to Malaya last month apparently was to urge support for this project.

Minister Rahman has reiterated his adamant opposition to the inclusion of Singapore in such a union. Malays outnumber the Chinese in the Federation of Malaya, but would be in a slight minority in a confederation including Singapore. Rahman is also concerned about the leftist inclinations of the Singapore Chinese.

Although there has been some favorable response throughout the area, Malayan Prime

The British plan apparently envisages that Malaya would

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POPULATION OF MALAYSIA

(Data from 1957 census excepting 1960 figures for Singapore)

	AREA (square miles)	MALAY	CHINESE	INDIAN	INDIGENOUS TRIBES	OTHER	TOTAL
MALAYA	50,690	3,126,706	2,332,936	695,985	----	123,136	6,278,763
SINGAPORE	224	227,300	1,230,700	137,800	----	38,300	1,634,100
SARAWAK	47,500	148,567	197,723	(Included in "Other")	282,835	9,237	638,362
NORTH BORNEO	29,388	22,750	97,248	(Included in "Other")	268,498	12,330	400,826
BRUNEI	2,226	36,576	14,183	(Included in "Other")	17,915	5,972	74,646
	130,028	3,561,899	3,872,790	833,785	569,248	188,975	9,026,697

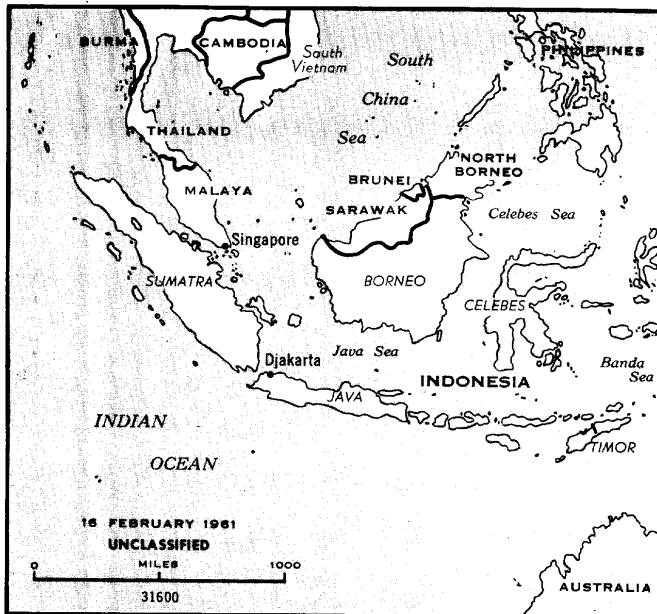
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representative institutions, although its sultan retains almost absolute power over internal affairs.

Such a grouping has been under consideration for many years in order to free Britain of responsibility and ensure a means for eventual independence for the underpopulated and culturally fragmented Borneo territories. The British are additionally concerned about the future of Singapore as a semi-autonomous state and now apparently feel that it should be included in a regional

assume--at least outwardly--the authority now exercised by the British in all but Malaya in the fields of defense, foreign relations, and internal security. Each of the states, which would otherwise be autonomous, would be represented in the Malayan parliament, but not on a population basis. In the formative years, the British would presumably expect to exercise considerable influence in an advisory capacity.

Britain probably would also step up the political development of the Borneo territories. The colony of Sarawak now is the most politically advanced and has rudimentary representative institutions already in operation; the colony of North Borneo is the most backward and is only beginning limited self-government. Brunei, a British protectorate, is in the initial stages of developing

grouping. Last October the British reportedly tried to convince Malayan Deputy Prime Minister Razak that merger of Singapore with Malaya was essential in order to bolster Singapore's economic prospects and to improve its chances of long-range political stability.

Personal relations between Rahman and Singapore's Prime Minister Lee Kuan Yew have improved recently, and some high Malayan officials have reportedly become sympathetic toward a grouping including Singapore. By supporting Malaya's interest in a link with the Borneo territories, the British may hope at the meeting of Commonwealth prime ministers in March to persuade Rahman to agree that the presence of the Borneo territories in a confederation would partially offset the influence of Singapore.

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RHODESIA-NYASALAND

The two separate constitutional conferences recently held between British cabinet ministers and representatives of political factions from both Northern and Southern Rhodesia may arouse racial conflicts in central Africa and possibly lead white-controlled Southern Rhodesia to attempt to secede.

immediate threat of African-instigated disorders, the federal government on 12 February called up the territorial reserves in Northern Rhodesia and assigned them to likely trouble spots in the urban areas.

In another round of negotiations at Salisbury, Common-

Colonial Secretary Macleod's proposals, presented to the Northern Rhodesian conference in London on 14 February, were described by British officials as attempting to achieve "parity" between Africans and whites in a legislature elected by a broadened franchise. A Commonwealth Relations Office official indicated that the proposals are not intended to produce an African majority at present. The British could presumably arrange this later either through nominated members or by lowering the franchise qualifications.

These proposals--which London is apparently unprepared to modify--are not expected to satisfy either the Africans or white settlers, but the British hope for acceptance as the best available solution.

African leaders have insisted on a majority of African-elected members in both the legislative and executive councils and have threatened violence if their demands are not met. On the other hand, Federation Prime Minister Welensky had asserted earlier that Southern Rhodesia would leave the Federation if London insisted on an African majority in Northern Rhodesia. To meet the

BACKGROUND

The semi-independent Federation was formed in 1953 from the self-governing colony of Southern Rhodesia and the British protectorates of Northern Rhodesia and Nyasaland, still administered by British governors. London supported federation in order to prevent the spread of South African racial doctrines into Central Africa and to facilitate area economic planning. The Africans strongly opposed the imposition of a white-controlled federal government.

Nyasaland will have an elected African majority in its legislature after elections this year; similar changes are being considered for Northern Rhodesia. Southern Rhodesian Africans have been accorded minority representation under new constitutional proposals.

The white settlers, who have been politically and economically dominant, constitute less than 4 percent of the population of 8,430,000. The Federation's economy is the second most developed in Africa; copper mining in Northern Rhodesia is the most important industry.

wealth Relations Secretary Sandys and Southern Rhodesian officials, including African representatives, reached an agreement which has been supported so far by all factions except extremist groups among both settlers and Africans. The agreement, which is subject to British parliamentary approval and a Southern Rhodesian referendum in June, in general expands African political influence while increasing Southern Rhodesia's powers of self-government.

The Salisbury conference agreed on a bill of rights in the Southern Rhodesian constitution, a dual electoral roll system by which, in essence, 70,000 white voters will elect 50 representatives and some 50,000 Africans will elect 15 representatives, and a constitutional council to safeguard civil rights with the power to delay discriminatory legislation for six months.

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British officials in London have confirmed that, in return for Southern Rhodesian acceptance of these pro-African provisions, the agreement envisages surrender by London of its reserve powers to veto Southern Rhodesian legislation on African affairs. This has been one of London's major means for influencing Southern Rhodesia.

Although Southern Rhodesian Prime Minister Whitehead has stated publicly that the franchise agreement will result in control of the government by white voters "for all time," the opposition segregationist Dominion party has refused to agree to the proposals and has threatened to advocate secession. There is also some dissatisfaction in African circles over the limited gains made at the conference, and the position of moderate Joshua Nkomo, leader of the National Democratic party, may be weakened by extremist agitation.

The Rhodesian conferences may also provoke political strains in British Conservative party policy on Africa. Some parliamentary elements already resent Colonial Secretary Macleod's alleged "sellout" of the white minorities, and Macleod is reportedly irritated by Sandys' successful competition with him in resolving African colonial problems.

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UNREST IN ANGOLA

Portugal's overseas province of Angola has been the scene of several outbreaks in the last two weeks, and officials there expect further disorders. Security controls, particularly over Africans, have been tightened in Luanda, the capital.

[redacted] a 150-man company of paratroopers has been airlifted from Portugal. Reports of incipient unrest have come also from Mozambique, Portugal's East African possession.

The focus of the Angolan disturbances was Luanda, where

some 40 persons were killed in clashes beginning on 4 February. In addition, there reportedly have been outbreaks in north-central Angola. The demonstrators in Luanda apparently were organized according to a pre-arranged plan; on 4 February they made coordinated attacks on three different points, and the attackers on 10 February wore a uniform of blue shirts, khaki trousers, and white belts.

The motivation of the demonstrators and the extent of their contacts outside Angola are unclear.

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[Redacted]

there is no evidence of links between the Luanda action and any nationalist movements abroad. However, Roberto Holden--also known as Jose Gilmore--a moderate, anti-Communist Angolan exile who heads the Union of the Angolan People (UPA), recently stated that the violence had been fomented by the Communist-supported African Front for the Independence of Portuguese Colonies in Africa (FRAIN) based at Conakry. Holden apparently believes that the outlook is for increasing violence as anti-Portuguese and anti-white African extremists acquire greater influence over the Angolan native population.

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FRANCE-ALGERIA

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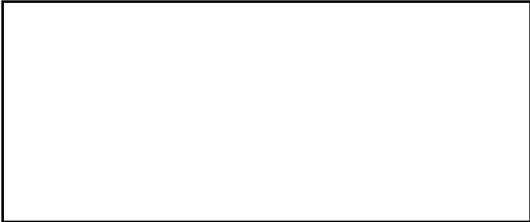
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De Gaulle apparently believes that his talk with Tunisian President Bourguiba, which has been arranged for later this month, will help prepare for French-PAG talks. De Gaulle recognizes Bourguiba is greatly concerned over the growing influence of radical African and Communist forces on the Algerian rebel leadership.

Members of the PAG continue to indicate a desire for a negotiated settlement, and insist that they have a mandate to negotiate for the Algerian people. They are said to have agreed unanimously during their January meeting that they would not recognize or deal with any interim Algerian government set up unilaterally by Paris but nevertheless realize that negotiations with Paris cannot give them immediate control over Algeria.

Rebel "deputy premier and foreign minister" Belkacem Krim reportedly persuaded the conference of foreign ministers of

the Arab states which ended in Baghdad on 3 February not to establish a boycott or sever diplomatic relations with France. He is said to have emphasized that only De Gaulle could solve the Algerian problem, and that he must be given time to do this.

The PAG will resent any intimation that Bourguiba's talks with De Gaulle will involve substantive negotiations. The rebel "minister of information" has complained that the PAG was not consulted about De Gaulle's invitation to Bourguiba, and another PAG representative told a member of the American Embassy in Tunis on 9 February that while Bourguiba has "every right to go to Paris," there can be no substitute for direct negotiations.

[redacted] Bourguiba's intention in seeing De Gaulle is to strengthen the position of moderate elements in the PAG, but that the mission could have the opposite effect.

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Bourguiba himself is gratified that De Gaulle has picked him as a go-between rather than his rival for influence in the Maghreb, Moroccan King Mohamed V. At the same time, Bourguiba probably fears jeopardizing his future influence in Africa should his visit not lead to early French-Algerian negotiations.

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PROSPECTS FOR ICELAND

Shortly after assuming office in November 1959, Iceland's Conservative - Social Democratic government instituted a far-reaching economic stabilization program to overcome persistent inflation and the related problems of a chronic trade deficit and a shortage of foreign exchange.

Since parliamentary approval of the program last February, much progress has been made toward achieving a stable economy and reducing Iceland's trade dependence on the Soviet bloc. Following Reykjavik's relaxation of restrictions on trade with the West, bloc trade dropped from 34 percent of Iceland's

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total trade to 25 percent in the first half of 1960. The ultimate success of the program depends heavily on its continued tacit acceptance by the rank and file of organized labor.

The Communist-dominated central trade union federation, whose affiliates have been working without wage contracts since September 1959 and thus could strike at any time, has hesitated to call politically motivated strikes because of the opposition of most workers. In recent weeks, however, there have been indications that the Communists are actively encouraging member unions to seek unrealistic wage increases in order to breach the government's wage policy and frustrate the effective working of the program.

Success in this attempt would probably force a reorganization of the government. Certain elements in the coalition might be willing to consider bringing Communists into the cabinet if such a solution would guarantee labor peace.

The government is also under attack by the Communists and the Progressives for opening negotiations with Britain last October on the long-standing fishing limits dispute. The talks are deadlocked over technical points and Iceland's determination to reserve its right to extend control over fishing into areas even beyond the disputed 12-mile limit. London is trying to reach an agreement this month; in a recent note it warned Iceland that failure to do so could lead to a recurrence of armed clashes when the spring fishing season opens.

Communists and certain nationalist groups demand that the government terminate the talks, hoping thus to strain relations between the two NATO allies and discredit Iceland's membership in the alliance. Although unsuccessful in their continuing efforts to arouse public opinion over the once-popular issue of the Keflavik air base and the American forces stationed there, these groups are seeking to embroil the US in the dispute by demanding that the defense force "protect" Iceland from incursions by British fishing and patrol craft.

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PART III

PATTERNS AND PERSPECTIVES

CHINESE COMMUNIST ACTIVITIES IN LATIN AMERICA

Recognition by Cuba last year gave Communist China its first diplomatic ties with any country in the western hemisphere. Believing that the Cuban example offers an opportunity for further gains in Latin America, Peiping is willing to accept the cost of sizable economic assistance to the Cubans. Its strategy for the area as a whole combines a reliance on "people's diplomacy" with an expansion of Chinese influence in Latin American Communist parties. The objective is to win political recognition and encourage revolutionary action.

Cuba

Following the US decision last summer to stop buying Cuban sugar, the Chinese agreed to take 500,000 tons annually for the next five years, more than twice their previous yearly purchases from nonbloc sources. Although sugar is in short supply in China, it is a low-priority import, and Peiping's willingness to forego the purchase of more urgently needed commodities underscored its determination to use Cuba as the wedge to expand its influence in the whole area. This motive has also been demonstrated by the willingness to ship rice to Cuba at a time when China is experiencing severe food shortages and making substantial purchases of food grains outside the Communist bloc.

When Che Guevara visited China last November, Peiping offered him a \$60,000,000 interest-free loan--at the time the largest single credit extended by China to a nonbloc country. The Chinese also agreed to pay a higher price per pound of sugar than agreed to last summer and to double their sugar purchases to a million tons in 1961. The Cubans have given lavish publicity to China's beneficence.

During Guevara's visit the Chinese far surpassed their usual great hospitality for official visitors. Both Mao Tse-tung and Chou En-lai had "intimate" talks with him, and the Chinese ambassador-designate to Cuba escorted him on a tour of the country.

In an exchange of speeches with Guevara, Chou congratulated Cuba on its "face-to-face struggle against heinous US imperialism." Chou stated that while Latin America faces a "complex and arduous" task in freeing itself from the United States, Cuba's success stands as proof that the situation is "extremely favorable." For his part, Guevara amplified earlier statements by Cubans that their revolution had drawn on Chinese experience, saying the Chinese example "revealed a new road for the Americas." Guevara expressed admiration for China's communes and other social innovations and forecast that Latin Americans would adopt "one of these methods or something similar" when they achieved their "liberation."

Guidance to Communist Parties

The Chinese did not assume a role in influencing Latin American Communist parties until after the 21st Soviet party congress in January 1959. At that congress, Soviet officials, concerned that publicity over Moscow's domination of the Communist movement had hampered the activities of Communist parties, told the Latins to play down their subordination to Moscow.

Moscow's decision to disguise its role was Peiping's opportunity. Delegates to the Soviet congress from 12 Latin American parties traveled on to Peiping at Chinese expense in March 1959. Mao Tse-tung and Liu Shao-chi conferred with them, impressing on them the suitability of

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Chinese revolutionary tactics to their problems.

The Chinese opened a school for Latin American Communists in Peiping in August 1959, China's most ambitious undertaking in training foreign Communists. The

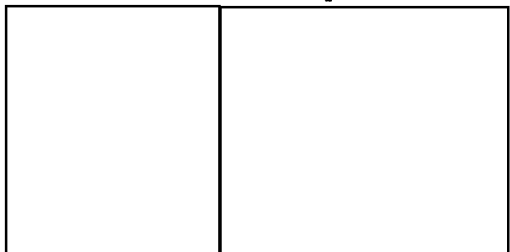


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The Soviet Role

At the outset, the USSR seemed to encourage Peiping's desire for a greater role in Latin America. The Soviet ambassador in Tokyo, for example, suggested to Latin American diplomats there in 1959 that they visit China and offered to make the arrangements.

Peiping seems to have had some success in convincing Latin American Communists of the usefulness of Chinese experience.



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Younger, more radical members of the Cuban Communist party reportedly are turning toward Peiping for inspiration, although the more moderate group continues to rely on direction from Moscow.

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Ground for dissension between China and the Soviet Union is thus being developed in Latin America. During the meeting of Communist parties in Moscow last November, the effectiveness of Chinese proselytizing was shown when some of the Latin American parties reportedly supported the Chinese against the Soviet party members on many of the issues being debated. If Moscow had indeed earlier encouraged Peiping's desire for a greater role in Latin America, the disagreements between the two countries--including the dispute over the proper tactics to be followed in underdeveloped areas--have since undoubtedly occasioned second thoughts within the Kremlin.

Trade

Trade agreements with Cuba provide for an exchange of as much as \$180,000,000 in 1961--far in excess of China's past trade with all of Latin America. As a rule, imports from Latin America have been limited to a single commodity from any one country; Chinese purchases have thus assumed in some countries greater importance than the comparatively modest levels of total trade would suggest. In 1958 China--which purchased almost 100,000 tons--was the largest single buyer of sugar from Brazil, and in the first four months of last year it was the largest bloc purchaser of wool tops from Uruguay--\$2,600,000 worth.

Peiping's strategy is to use trade as an opening for government-to-government economic agreements--in effect de facto recognition. To date, however, Cuba is the only Latin American country that has signed a trade and payments agreement with Communist China, and, barring political changes in other Latin American countries, there are no immediate prospects for others.

People's Diplomacy

In 1959, 402 Latin Americans traveled to Communist China, with

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the Chinese paying all or part of their expenses. This number --three and one-half times the total for each of the two preceding years--was probably at least equaled in 1960. Latin American visitors to China have included parliamentary groups from Brazil, Peru, Colombia, and Costa Rica.

An equal effort is made to carry Peiping's message to those who cannot make the trip. The "people's diplomacy" offensive in South America was launched in 1956 with the dispatch of a Peiping Opera group to Brazil, Uruguay, Argentina, and China. Subsequent travelers, including "friendship teams" of dancers, journalists, and acrobats, have been well received by the local populations, although they encounter considerable governmental suspicion.

The first group of journalists, led by an officer from the propaganda department of the Chinese Communist party, organized a local friendship association in Uruguay and attempted to hire a local news reporter for the New China News Agency (NCNA). A second group last year was even more aggressive--particularly in Chile, where it made political statements attacking the US and cultivated contacts with labor leaders and leftist political leaders.

Friendship organizations promoted by the Chinese now operate in ten Latin American countries, and last March an over-all China - Latin America Friendship Association was formed in Peiping to improve area-wide coordination. Peiping uses the friendship organizations as channels for getting propaganda material into countries where free entry is prohibited.

Peiping contributes to the treasuries of these organizations from the earnings of its song-and-dance troupes. The Colombian Friendship Association got the proceeds of the Peiping Opera

company's performances in Bogota last May.

Propaganda

Peiping each week broadcasts 21 hours of Spanish-language programs to Latin America and half as much in Portuguese. It also publishes a Spanish-language edition of the propaganda magazine China Reconstructs.

To pick up items of interest for its radio programs, the official NCNA--working through the local Communist parties--is establishing a network of correspondents in Latin America; it has recruited correspondents in Argentina, Chile, Costa Rica, Cuba, Panama, Brazil, Colombia, Peru, and Venezuela. The Chinese also employ Latin Americans in the Peiping headquarters of NCNA and the Foreign Languages Press.

The Havana office of NCNA is the center for Peiping's propaganda activities in Latin America. After its establishment in June 1959, the Havana office quickly established close relations with Castro's new Prensa Latina news agency

In November 1959 the Chinese Communists began publication of a Chinese-language newspaper in Cuba, intended primarily for the island's 30,000 Overseas Chinese but directed also to the 65,000 Chinese elsewhere in Latin America. Peiping has long competed with Taipei for the allegiance of Overseas Chinese living throughout the world.

Peiping's propaganda pictures the US as the villain in Latin America, intent on plunder and eager to support dictators. Peiping alleges that a common "subjugation to imperialist aggression and oppression" makes the Chinese comrades-in-arms of the Latin Americans in the fight against US imperialism. Peiping's propaganda portrays the Latin Americans as being in the "front line" of the anti-US struggle of underdeveloped countries and points to Cuba as proof that their efforts can succeed.

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