

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****SINO-SOVIET TREATY ANNIVERSARY**

The USSR and Communist China observed the 11th anniversary of the Sino-Soviet friendship treaty on 14 February with strong protestations of their "everlasting and unbreakable" solidarity. Both sides also showed a desire to submerge those unresolved issues which were openly argued prior to the Moscow conference of world Communists last November.

Peiping and Moscow normally use the annual celebration as a major occasion for affirming their friendship and for demonstrating their solidarity against the West. Both have gone to considerable lengths this year to create a picture of harmony which masks the true state of their relationship.

Moscow gave the celebration much more than normal attention, larding its commentary with extravagant expressions of friendship and going out of its way to accommodate Chinese views. Speaking at the Chinese Embassy reception in Moscow on 13 February, presidium member Suslov placed unusually strong emphasis on Soviet government and popular support for Peiping's "liberation" of Taiwan. In addition, Suslov made a rare allusion to Moscow's 1958 declaration that an attack on China would be regarded as an attack on the USSR.

Each side showed some disposition to seek common ground and tailored certain statements specifically for home audiences of the opposite side. Speaking in Peiping, the Soviet ambassador offered a rare endorsement of the Chinese communes as a means to overcome natural calamities. Writing for the holiday issue of Pravda, the president of the Chinese Sino-Soviet Friendship Association echoed Soviet formulations on the destructive power of nuclear war and declared that wars (not merely world wars) can be prevented by the united action of the Communists. Both sides

declared that the West is preparing for a new war.

Peiping's interest in displaying cooperativeness at this time may be reinforced by its current economic difficulties. Preliminary talks on trade and economic relations between the two nations now are beginning in Peiping, several months after the usual start of the annual negotiations. The delay reflects both Chinese economic problems and the uncertainties resulting from the Sino-Soviet dispute. The discussions are likely to be especially arduous as a result of the deterioration in Sino-Soviet economic relations which began in mid-1960 when Moscow abruptly withdrew its technicians from China.

Developments since then indicate that a new stage has been reached in economic relations. Peiping now may be moving to reduce its heavy dependence on the Soviet Union and the rest of the bloc. China's foreign minister, however, recently expressed confidence that the current talks will lead to a new agreement on "mutual assistance and cooperation."

Strong discontent with each other's views continues, however. Whereas Khrushchev personally attended the Chinese reception in Moscow, Mao Tse-tung and his two top lieutenants, who played the major role in the dispute, did not go to the Soviet reception in Peiping. The Chinese kept up their subtle pressure for a greater role in policy formulation by emphasizing that Sino-Soviet unity is the "cornerstone" of the unity of the whole socialist camp. Communist China offered only limited endorsement of such cardinal Soviet policies as peaceful coexistence and disarmament and again promised to "defend" the Moscow declaration--a promise replete with possibilities for a renewal of the polemics at a later date.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****BREZHNEV'S VISIT TO AFRICA**

Soviet President Brezhnev has completed a 12-day visit to Africa during which he carried forward the USSR's effort to identify itself with the extremist, anti-Western views of the leaders of Guinea and Ghana. The high level of the delegation accompanying Brezhnev suggests that Moscow intended a review of all phases of Soviet-Guinean relations, with emphasis on future areas of economic and political cooperation, particularly with regard to the Congo.

In view of the haste with which the trip was scheduled and the last-minute addition of Ghana to the itinerary, it may have been planned to counter growing indications in late January and early February of new Western attempts to find a compromise formula to stabilize the Congo situation.

TASS announced on 2 February that a Soviet party delegation would pay an official visit to Guinea at the invitation of President Touré "in the second half of February." The group was to be headed by Brezhnev and to include the deputy ministers of foreign affairs, culture, and foreign trade, the deputy chairman of the State Committee for Foreign Economic Relations, and the heads of the First and Second African Departments of the Foreign Ministry. Four days later, however, it was announced that the schedule had been moved up and that the visit would begin on the 9th and last for three days.

Rabat originally was to be merely a stopover, but the stay was extended to 36 hours on short notice. Then, although it had already been announced that Brezhnev would leave for Moscow on 16 February, he went instead to Ghana for three days.

The stop in Morocco coincided with the arrival of 14 gift Soviet MIG aircraft. An agreement providing for large-scale Soviet economic aid, possibly including a \$120,000,000 credit, reportedly was initialed by Brezhnev and Crown Prince Moulay Hassan. In the past Morocco has rebuffed Soviet offers to provide economic assistance.

Commercial and cultural exchanges were also discussed, and Brezhnev invited Crown Prince Moulay Hassan to visit the USSR for the May Day celebrations. Brezhnev reportedly praised the King for convening the recent Casablanca conference and for his personal role in its deliberations. The conference, attended by radical African heads of state, adopted extreme anti-Western positions regarding the Congo and Algeria and endorsed other Soviet positions.

The close cooperation between the USSR and Guinea was underscored during Brezhnev's visit. In his speeches, President Sekou Touré praised the Soviet Union as the "unselfish friend and staunch champion" of newly independent countries and oppressed peoples.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

The joint communiqué signed on 15 February stated that the two countries had reached full agreement on major international problems, including the liquidation of colonialism, the need for general and complete disarmament, self-determination for Algeria, and the prohibition of military bases on foreign territories. They pledged "firm and unqualified support for the legal Congolese Government of Gizenga," and placed total responsibility for Lumumba's death on "Belgium, its allies, and the UN Secretary General."

Although no announcement has been made concerning economic aid, the extent of Soviet participation in construction of Guinea's Konkouré Dam was almost certainly discussed. Soviet and Czech survey teams have been in Guinea for several weeks, and Touré has previously stated that the USSR is prepared to extend the necessary credits for the project.

Brezhnev's last-minute decision to visit Ghana was apparently at President Nkrumah's request. The Ghanaian leader may have wished to discuss in more detail the wide range of development projects, specified in a December 1960 protocol, to be carried out by the USSR over the next several years. He may also have hoped to sound out Brezhnev on the possibility of substituting Soviet for Western aid in connection with the \$350,-

000,000 Volta project now in the final stages of negotiation with a Western consortium.

The USSR's swiftness in protesting the 9 February "attack" by a French jet fighter on the IL-18 carrying Brezhnev to Morocco, and the publicity given the incident by Soviet news media, underlined Moscow's efforts to heighten anti-French feeling among Africans. The Soviet leaders probably hoped it would also point up the international implications of the Algerian war and stiffen the attitude of the rebel government in anticipated negotiations with France. Moscow promptly published on 12 February a Guinean protest to France which charged the French Government with "abiding hostility to any international detente and the policy of cooperation."

Khrushchev is expected to make his long-awaited African tour this year; he has accepted invitations to the UAR, Morocco, Guinea, Ghana, Togo, Liberia, and Ethiopia. Travel plans of several of the African leaders appear to preclude a visit earlier than midyear. While in Guinea, Brezhnev noted that Khrushchev would visit that country "as soon as possible." Brezhnev's visit provided key African leaders with the personal high-level attention that has become a hallmark of Soviet diplomacy.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****BELGIAN DIFFICULTIES IN RUANDA-URUNDI**

Belgium's plan to lead its trust territory of Ruanda-Urundi to independence as two separate states received a setback in late January when leaders of the provisional government of Ruanda--the northern state--declared it an "independent republic." This action reflects the determination of one tribal group to maintain its present power and to exclude from the government the former ruling tribe ousted in late 1959 with Belgian collusion.

Until 1955 Belgium had followed a policy in Ruanda of supporting the traditional Tutsi aristocracy over the more numerous but more backward Hutu tribe. Belgium thereafter gradually withdrew its support of the Tutsi and their Mwamis (kings) --who had become less responsive to advice from Brussels-- and encouraged the serflike Hutus to demand an end to Tutsi domination. Tension between the rival tribes mounted until late 1959, when the Hutus, inspired by the Belgians, began a year-long insurrection. After deposing the Tutsi Mwami and forcing nearly half the Tutsi population into exile, the Hutus in October 1960 established a provisional government in Kigali, the Ruanda capital.

The Hutu leaders were more interested in persecuting the remaining Tutsis and in securing their newly won positions of power than in developing a responsible government. The Belgians, mindful of the Hutus' administrative inexperience and seeking to present at least a facade of national unity to the UN, sought to induce some of the more moderate Tutsis to reassume an active political role.

Meanwhile, the UN--with the anticolonial Africans and Asians interested in the circumstances surrounding the ousting of the Mwami, still the legal chief of state--recommended

in December that legislative elections promised by Belgium for January be postponed, and the General Assembly dispatched a fact-finding commission to the trust territory. Preliminary comment by a member of the commission indicates that the report--to be submitted to the General Assembly's resumed session next month--will be very critical of Belgium's administration.

The increased UN activity brought a further deterioration of relations between the rival tribes. In addition to lessening Tutsi enthusiasm for cooperation with the Hutus, it encouraged less moderate Tutsi elements in exile to prepare for the "liberation" of Ruanda.

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The Hutu leaders, convinced that the UN resolution will strengthen the Tutsis, declared Ruanda an "independent republic," although still under the guidance of the UN and Belgium, and announced a new government which excluded even token Tutsi participation.

Brussels responded by issuing a statement on 1 February which implied de facto recognition of the Hutu government. The statement also reiterated Belgium's responsibility to the UN for administering the trusteeship and urged tripartite discussions with the UN and the Ruanda regime on the current situation and on granting complete independence next year. An official in Brussels told the American ambassador on 9 February, however, that Belgium may "throw up its hands" in Ruanda and present the whole problem to the General Assembly at its resumed session in March.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****TANGANYIKA TO SEEK INDEPENDENCE THIS FALL**

Julius Nyerere, chief minister of Tanganyika, made a strong effort to persuade British Colonial Secretary Macleod to designate 1 October as the date for the independence of this East African trust territory during the 27-30 March constitutional conference with British officials in Dar es Salaam. Nyerere, a moderate nationalist considered the ablest native leader in East Africa, probably hopes this move will undercut the growing popularity of the rival--and increasingly extremist--African National Congress (ANC) and other dissident minorities, which are expected to form a single opposition party within the next six weeks.

London has already promised early independence for Tanganyika but would be reluctant to set an early date because of the political situation in Britain and in its other African territories; London may give its consent, however, if convinced by Nyerere that this move is necessary to preserve his position.

Nyerere's action also reflects a change of tactics. He has been promoting the establishment of an East African federation, which would include Tanganyika, Kenya, and Uganda. Heretofore, he had urged that the federation include territories which had achieved only internal autonomy, on the ground that newly independent states would be reluctant to surrender the prestige of national sovereignty. He had indicated a willingness to delay Tanganyika's independence until other prospective member territories had reached a similar level of self-government.

This position has been heavily attacked by Nyerere's opponents. The ANC, which has not hitherto been a serious com-

petitor to Nyerere's Tanganyika African National Union (TANU), may soon develop into a dangerous opposition movement. ANC President Mtemvu, who polled a meager 67 votes against his TANU opponent's 7,500 in last August's legislative elections, was, by December, attracting audiences numbering several thousand.

These potential ANC supporters reacted enthusiastically to Mtemvu's charges that TANU had failed to keep its campaign promises to provide abundant jobs, "Africanize" the civil service rapidly, and expand educational opportunities in the territory. These and similar attacks made by ANC leaders have caused a considerable amount of criticism from leaders in the Tanganyika Federation of Labor--hitherto an arm of TANU--and even from some TANU members of the Legislative Council. Furthermore, when Mtemvu returns from a current fund-raising trip to Moscow and Peiping, he probably will launch colorful and well-planned membership campaigns while renewing attacks against Nyerere's administration.

Nyerere may also be forced to modify his pro-Western orientation in order to refute opposition charges that he is an American tool as well as to placate some important leaders of his party who have long disagreed with what they identify as the US position on the Congo. Many of his lieutenants are openly contending that Katangan President Tshombé is an "American creation." In a press conference on 16 February, an ANC spokesman announced a day of mourning for Lumumba and requested the Tanganyika Government to close both the Belgian and American consulates in the country and to deny the use of Dar es Salaam's port facilities to these countries.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****ECONOMIC DEVELOPMENTS IN NORTH VIETNAM**

North Vietnam's admission of failure to fulfill agricultural goals belies its claim to have successfully completed its Three-Year Plan (1958-60). Rice output in 1960 was reportedly 4,470,000 tons--only 80 percent of the revised goal--compared with a claimed 5,190,000 tons in 1959 and 4,580,000 tons in 1958. However, total food production in 1960 is believed to have been about the same in 1960 as in 1958.

Last year's drop in rice output probably was the result mainly of natural calamities. The stepped-up socialization drive may also have affected the harvest; the regime claims that 85 percent of the peasants now are in agricultural cooperatives.

Demands on agriculture--to meet the needs of a rapidly growing population as well as to supply raw materials for local industry and for export--have grown steadily. Reluctant to call attention to last year's poor crop, the government has blamed deficiencies in management and distribution for the food problems. State procurement agents apparently have not picked up the state's full quota of rice, and as a result, illegal sales, speculation, and hoarding continue. Rations of rice apparently have been cut in both rural and urban areas.

For the period 1958-60, the regime has claimed an annual average increase of 17 percent in the gross value of output by light industry, including food processing. In heavy industry, still relatively small in North Vietnam, value of output was reportedly three times higher in 1960 than in 1957.

Agriculture and light industry will receive continued

attention in the Five-Year Plan (1961-65), and initial steps will be taken to develop heavy industry, beginning with electric power, metallurgy, and machine building. Original targets called for an average annual increase of 20 percent in the gross value of industrial output and 10 percent in agricultural output.

Recently announced targets for 1961 are even more optimistic, calling for an increase over 1960 of 29 percent in industry and nearly 29 percent in agriculture. Production of rice is to be raised from 4,470,000 tons in 1960 to 5,563,000 tons this year. The achievement of such a sharp jump seems highly unlikely, especially since even greater gains are planned for other sectors of agriculture; industrial crops are to increase 63 percent, livestock 44 percent, and fishery production 20 percent.

China on 31 January extended an additional credit of \$157,000,000 in support of North Vietnam's Five-Year Plan, boosting total bloc aid since 1955 to about \$882,000,000. The new credit will be used to build or expand 28 enterprises in the fields of metallurgy, power generating, light industry, and railways. The minister of light industry stated recently that the new agreement will create more favorable conditions for the production of consumer goods "to ameliorate the people's conditions."

Since domestic resources are inadequate, goals for the Five-Year Plan appear overly optimistic, and the scheduled progress in agriculture and light industry can be achieved only if bloc aid continues. Emphasis on heavy industry may increase, but significant gains will depend on obtaining additional bloc aid.

(Prepared by ORR)

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****PRO-COMMUNIST "PEACE" CONFERENCE TO MEET IN MEXICO**

The "Latin American Conference on National Sovereignty, Economic Emancipation, and Peace" scheduled for Mexico City from 5 to 8 March, is a Communist-backed event designed to promote anti-US and pro-Castro sentiment. Sponsored principally by former Mexican President Lazaro Cardenas, a Stalin Peace Prize winner and high official of the Communist-dominated World Peace Council, the conference is expected to draw a large number of leftist and Communist delegates from most of the 20 Latin American countries, Asia, Africa, and the Sino-Soviet bloc.

The World Peace Council, its Mexican affiliate, and the Cuban Government appear to be the main organizational and financial backers of the conference. Leading figures in addition to Cardenas include Vicente Lombardo, head of the Communist regional labor organization, the Cuban ambassador to Mexico, and a number of Mexican and other Latin American leftists primarily connected with the "peace" movement in the hemisphere.

The Mexican Government is neither obstructing nor openly supporting the event, probably in deference to Cardenas' political prestige and influence, especially among radical elements. Nevertheless, if violent anti-American demonstrations

should be instigated by the Mexican leftist student groups which have been asked to participate, the government would probably intervene promptly to maintain order.

The tentative agenda of the conference will include such topics as anti-imperialism, anti-colonialism, defense of national resources, and disarmament, as well as support of the Cuban revolution. These subjects coincide precisely with those advocated by Latin American Communist delegates who proposed a "People's Congress" for Latin America at special sessions in Moscow in early 1959 at the time of the 21st Soviet party congress. As then projected, the congress was to be sponsored overtly by prominent leftist figures in the area--including Cardenas--with Communist participation camouflaged. It was to be in support of the Cuban revolution and national economic resources, and designed to spread anti-US sentiment in the hemisphere.

The Mexican peace conference seems to be the fruition of several Communist efforts to convene a "people's congress," which was originally set for April 1959, the height of Castro's prestige in Latin America. Cardenas' reputation may give the conference a substantial anti-US propaganda impact.

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**CHILE'S CONGRESSIONAL ELECTIONS**

The Chilean congressional elections of 5 March are being fought mainly on issues connected with President Alessandri's efforts to cope with inflation along the lines of the US-backed stabilization program.

Popular resentment of some of his austerity measures is expected to result in minor losses by the Conservative and Liberal parties, which support Alessandri, but to leave pro-Alessandri parties still in control of both houses.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****BACKGROUND**

*The US replaced Great Britain as the largest direct investor in Chile during World War II, and direct US investments now account for approximately 70 percent of total foreign investments in Chile. About two thirds of US investments are in the mining industry, primarily copper--the country's principal export and primary source of government revenue and foreign exchange. Only in Canada does the US have a greater investment in mining. Public utilities, manufacturing, and trade are, in that order, the next most important areas of direct US investment. In 1958 such investments totaled \$736,000,000.*

Leftist parties have tried to push closer relations with the bloc as a remedy for the country's economic difficulties. The increasing number of visiting bloc delegations in recent months--Chile has no diplomatic relations with the bloc--may in part be an attempt to embarrass the government. A Hungarian mission, in talks with officials in Santiago, has tried to exploit Brazilian President Quadros' statements on expanding relations with the bloc, and has pointed to the US balance-of-payments and unemployment problems.

The Communist party, legalized since the last congressional elections, will be able to campaign openly for the first

time since 1947. It now controls six seats in the Chamber of Deputies, and some observers expect it will double that number and acquire two of three seats in the Senate. Any gains probably would be at the expense of other leftist parties, however--

particularly the militant Socialist party, whose pronouncements usually parallel the Communist line--and may lead to heightened tensions within the Popular Action Front (FRAP), the coalition of far-left parties dominated by the Communists and the Socialists.

The FRAP candidates are expected to poll about 25 percent of the popular vote. If, in addition, left-wing elements in the middle-of-the-road Christian Democratic and Radical parties become significantly stronger, there will be growing pressure on Alessandri to modify his conservative domestic and foreign policies.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****SPECIAL ARTICLES****COMMUNIST CHINA'S NATURAL RESOURCES**

Since 1953, Communist China has been making a determined effort--organized under several five-year plans--to exploit its natural resources to the maximum. Before the Communists came to power in 1949, these resources were for the most part developed by the exigencies of circumstance--the pressure of population in the case of agriculture, and foreign interest in the case of industry--rather than by design. This resulted in a high degree of development of agricultural resources but very little of industrial resources.

The regime began a program in 1952 to locate and evaluate its natural resources, but it will be many years before potential reserves can be fully proved. Thus, with few exceptions, current production is based on the intensive exploitation of resources known to exist before 1949. For these reasons, Western estimates of Chinese reserves are based on proved reserves plus potential reserves where these are likely to be proved within the next five or ten years.

**Minerals**

Reserves of iron ore are believed to be over 10 billion tons. While the iron content of much of the ore is low, as in the USSR, there is as yet no indication that this will prevent China from becoming one of the largest steel producers in the world.

Deposits of coking coal are also large, and, like those of iron ore, sufficiently well distributed to permit the establishment of large iron and steel centers in various regions. The three most important

sites are at Anshan in the northeast and the two now under construction at Wuhan, in Central China, and Paotou in the north.

China also has enough of the alloying element manganese to support a large expansion of the 1960 steel output of 18,000,000 tons. Potential reserves are estimated at 300,000,000 tons, compared with proved reserves of 2.2 billion tons in the USSR and only negligible amounts in the US. Chinese deposits, if proved, would constitute the world's third largest--after the USSR and India.

Copper reserves are estimated at 10,000,000 to 20,000,000 tons, substantially below the 32,500,000 tons in the US and 35,000,000 tons in the USSR but probably adequate for China's needs. Domestic production of copper has been insufficient so far, but this is attributable more to bottlenecks in processing than to a lack of ore.

**COMPARISON OF RESERVES OF NATURAL RESOURCES**

	COMMUNIST CHINA	UNITED STATES	USSR
<b>METALS</b> (million metric tons)			
Manganese	300	negligible	2,200
Copper	10-20	32.5	35
Bauxite	500**	50	600
Tin	1.9	0	0.5
Iron Ore (billion metric tons)	10	*	38
<b>POWER SOURCES</b> (billion metric tons)			
Coal	1,500***	1,700	8,700
Crude Oil	1.2***	4.3	3.4
Hydroelectric Potential (million kilowatts)	270-320	90	197
<b>LAND</b> (thousand square miles)			
Total Area	3,725	3,023	8,648
Cultivated Area	432	625	849
Sown Area	579 - 617****	594	752
Forests	386	1,000	2,868

\* Available figures not calculated on a comparable basis.

\*\* Made up of shale and clay.

\*\*\* Potential as opposed to proved.

\*\*\*\* Areas of multiple croppings are counted more than once, resulting in a total figure higher than that for cultivated land.

10214

23 FEBRUARY 1961

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**CURRENT INTELLIGENCE WEEKLY SUMMARY**

Reserves of aluminum ore, consisting of aluminous shale, clay, and diaspore, are estimated at 500,000,000 tons. China has no bauxite--a superior source of aluminum--whereas the US has bauxite reserves of 50,000,000 tons and the USSR 600,000,000 tons. Chinese reserves of aluminum ore are, however, considered ample both for future industrial development and for export.

China is believed to have proved tin reserves of 1,900,000 tons; the USSR has 500,000 tons, and the US none. Chinese production, estimated at 34,000 tons in 1959, has changed the Communist bloc from a tin-deficit to a tin-surplus area.

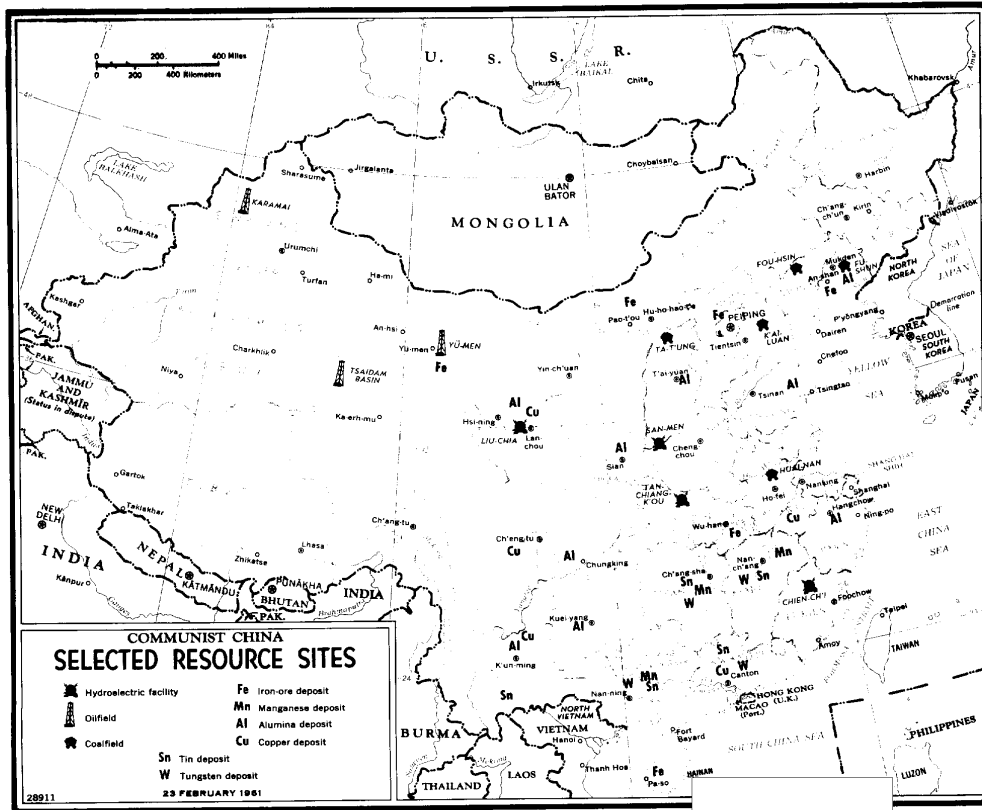
Reserves of many other metals are also large. China has the world's largest deposits

of tungsten, the world's second largest deposits of molybdenum, and reserves of antimony, magnesium, and mercury which are more than ample for current and future needs. It also has rich deposits of rare metals, such as beryllium, columbite, and tantalite, and may have important reserves of those minerals essential to the production of fissionable materials, notably uranium.

China's only mineral ore deficiency is in chromium and nickel. While these are important alloying materials, the need to import them does not significantly reduce China's over-all resource position.

Energy

China has abundant high-quality coal. The Communists



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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

have estimated their reserves at 1.5 trillion tons, about 44.2 billion tons of which are probably by Western standards, "proved." At the 1959 production rate--almost 350,000,000 tons--such proved reserves would support production for more than 100 years.

Over 80 percent of China's coal is bituminous, which is well suited to industrial and other heating applications. Although coking coal constitutes a relatively small proportion of total reserves, there is enough to support a large expansion of the iron and steel industry.

The abundance of coal is made more important by deficiencies in petroleum and firewood. Moreover, about 85 percent of China's output of electric power in 1959 was from thermal plants which burn coal. Railroads, the main form of modern transportation in China, also depend on coal.

Proved reserves of natural crude oil are believed to be only 130,000,000 tons, although potential reserves may be as high as 1.2 billion tons. However, such a potential, if proved, would sustain an annual crude production over 25 years of only about 40 to 50 million tons. This is approximately 10 to 15 times that of 1960, but only a fraction of present output in the US and USSR.

China does have large reserves of oil shale which could probably yield as much as 15 billion tons of oil. However, technical problems and high costs make it economically unfeasible to exploit the shale resources to this extent.

Communist China has had to import almost half its petroleum supply and will probably continue to be dependent on foreign suppliers, although to a

lesser degree, for many years to come. Development costs and the remote location of known reserves, whatever their real potential, will probably prevent domestic production from keeping pace with the increased demand for petroleum generated by industrialization.

The technical potential of China's water-power resources--the maximum amount of power technically exploitable regardless of cost--is estimated to be between 270,000,000 and 320,000,000 kilowatts, compared with about 90,000,000 in the US and 197,000,000 in the USSR. However, many of the locations of water-powered potential are far removed from present or future major centers of industry and population. Under present plans, hydroelectric plants are to provide about a third of China's generating capacity by the end of 1967. Even then, only about 5 percent of the country's technical potential would have been exploited.

Hydroelectric projects now under construction include the plants at Sanmen, on the Yellow River (with a planned capacity of 1,100,000 kilowatts); at Liuchia, also on the Yellow River (1,050,000 kilowatts); at Tanchiangkou, on the Han River (900,000 kilowatts); and at Chienchi, on the Min River (1,200,000 kilowatts). These projects are part of the regime's long-range plan to develop new industrial centers. They are also an integral part of the water conservancy program, which it is hoped will both moderate the ravages of China's recurrent floods and provide extensive irrigation facilities.

Agricultural Resources

China's agricultural resources, although extensive, are small in relation to the demands they must meet. In

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

addition to feeding and clothing an enormous population--700,000,000 at the end of 1960--they must provide export goods to finance the imports of machinery and equipment necessary for industrialization. The extent to which these needs are met depends predominantly on the degree to which yields from land presently under cultivation can be increased, and to a lesser extent on the degree to which new agricultural resources can be developed.

With a population more than 3.5 times that of the US, Communist China has a cultivated land area--about 430,000 square miles, or 12 percent of total land area--equal to only about two thirds that of the US and one half that of the USSR. Moreover, the Chinese population is growing more rapidly than either the American or the Soviet. Because of extensive multiple cropping, however, total crop acreage (about 600,000 square miles), as distinct from cultivated land, is roughly equal to that in the US and about 80 percent of that in the USSR.

Cultivation of farmland on the China mainland is more intensive than anywhere except Japan and Taiwan. Multiple cropping, extensive irrigation, and maximum use of natural fertilizers combine to offset lack of machinery and chemical fertilizer and to maintain yields well in line with the world average. Cultivated land is concentrated in the eastern one third of the country, the western part being generally too mountainous and arid. Although China farms only about 12 percent of its total land area, there is little potential

for any appreciable increase in cultivated area.

It will thus be difficult for the Chinese to increase agricultural output rapidly and cheaply. Attempts to enlarge cultivated area through reclamation and additional double-cropping have so far failed to justify the high cost. Increases in agricultural production, a factor vital to the industrialization program, must come mainly from better seed and the application of additional labor, water, chemical fertilizer, and, in selected areas, agricultural machinery.

Climatic conditions are another key factor. Fluctuations in the amount and distribution of rainfall are frequent, particularly in central and northern China, and droughts and floods periodically cause serious crop losses. Success in applying modern technology to lessen the effects of drought, floods, and other natural calamities will be an important determinant of China's economic growth. Crop losses from calamities in 1960 aggravated an already precarious food situation and were an important factor behind a cut-back in industrial expansion in 1961.

Agriculture thus constitutes the most important weakness in the country's resource pattern and will remain so for a long time. Since the country's farmland has just begun to feel the impact of modern technology, there is every possibility for increasing agricultural output sufficiently to maintain economic growth, but time and money are needed.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****THE ITALIAN COMMUNIST PARTY**

The Communist party (PCI) still commands the support of about one in every four Italian voters, many of whom vote for the Communists as a means of protest against the government. The improvement since World War II in Italy's standard of living has not overcome the maldistribution of wealth and unemployment which the Communists exploit. The Communists have also profited from the instability of Italian cabinets in recent years and from the government's failure to reflect in any considerable measure the voting trends to the left.

The party's immediate aim is to block the threat of political isolation implicit in attempts by its former supporter, Socialist leader Pietro Nenni, to bring his party into an alliance with the center parties.

Since Giuseppe Saragat split the Socialists in 1947

**ITALY: COMMUNIST AND SOCIALIST SHARE OF VOTE**

	(IN PERCENT)			LOCAL PROVINCIAL COUNCILS 1960	
	CONSTITUENT ASSEMBLY 1946	CHAMBER OF DEPUTIES 1948	1953		1958
COMMUNIST PARTY (PCI)	19.0	31.0	22.6	22.7	24.5
SOCIALIST PARTY (PSI)*	20.7		12.7	14.2	14.4

\*In 1947, Giuseppe Saragat split with Pietro Nenni's PSI and later formed the Democratic Socialist party (PSDI).

10220 28

23 FEBRUARY 1961

the Communists have been the second-largest political element in Italy. They have improved their voting percentages steadily despite adverse foreign and domestic developments. Their electoral success is particularly remarkable because it has been accompanied by a fall-off in the strength of the party's labor arm and the defection of Pietro Nenni, leader of the Italian Socialist party.

**Present Standing**

Communist party membership claims have declined from 2,000,000 in 1954 to less than 1,800,000 in 1958-60. Some estimates put it as low as 1,400,000 as of April 1960. The Communist party vote has consistently been strong in central and northern Italy, and in the late 1960s the party expanded its efforts in the south. In the nationwide voting for provincial councils last year, however, the south showed a loss of about one percent despite a slight national gain for the Communists over 1958. Although there was some retrenchment in its press program during the slump following the Hungarian revolution, the party's daily Unita maintains a circulation comparable to that of Italy's largest independent newspaper.

The Communist-dominated General Labor Confederation (CGIL) has more members than Italy's two major free unions combined, and the number of CGIL offices manned by Communists is far out of proportion to the number of Communists among about

1,500,000 members. In shop steward elections, nearly 50 percent of industrial labor supports the CGIL candidates; however, these include Socialists as well as Communists.

Like the other parties, the Communists in recent years have had difficulty in recruiting youths; the Communist youth federation, the FGCI, has declined in membership from

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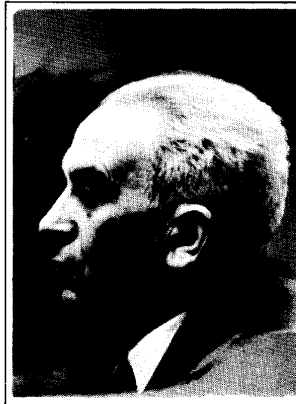
**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

450,000 in 1954 to 200,000 in 1960. The women's group, the UDI, has also fallen off. Joint Socialist-Communist organizations such as the "Committee for Rebirth of the South" have been abandoned by the Socialists and have largely collapsed, although the Socialists continue to participate in important organizations such as the CGIL and the national association of resistance fighters (ANPI), as well as in consumer and other cooperatives that are dominated by the Communists.

At the same time an influx of postwar Communists into the PCI central committee and as officers of provincial party federations has reduced the organization's dynamism by bringing in persons without experience of party discipline under stress. It can be expected to result in fractionalization over controversial issues such as Moscow's policies, the party's handling of the Nenni Socialist defection, and Communist cooperation with rightists--as occurred in the Sicilian regional government.



TOGLIATTI



LONGO

Prominent Communist deputy Giancarlo Pajetta is reported to have become involved during the past two weeks in an intra-party disagreement regarding relations with Nenni. A member of the party directorate, Pajetta had been mentioned as a possibility to succeed party Secretary Palmiro Togliatti--now 68--although he does not appear to have the necessary party-wide support.

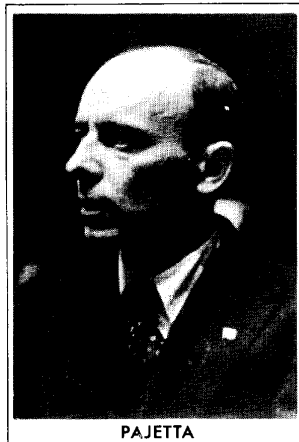
Giorgio Amendola, also a deputy of and directorate member, might be a successor preferred as having a more flexible approach than Pajetta and better past relations with Nenni, although in recent years Nenni and Amendola have carried on bitter polemics.

Togliatti's deputy, Luigi Longo, a hero of the anti-Fascist resistance and more blindly responsive to Moscow than is Togliatti, is perhaps more often mentioned as a possible successor. Should the Soviets revert to the hard line, deputy Pietro Secchia, a hard-core revolutionary, might emerge as a contender.

Thus far Togliatti has successfully



AMENDOLA



PAJETTA

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

played off potential rivals, and his eventual successor may be a dark horse.

Sources of Weakness

Once it had lost its bid for political power in the immediate postwar years, the PCI had to work under increasingly difficult conditions. Italy's economic situation improved; the party was obliged to adhere to the unpopular Soviet cold-war line; and financial contributions from Moscow were declining.

The situation was aggravated by the line taken by Khrushchev's policy at the Soviet party congress in 1956. The Italian party was disrupted and disoriented and lost such prominent and capable members as Antonio Giolitti, its intellectual spokesman, and Eugenio Reale, diplomat and former party treasurer. At the same time Pietro Nenni publicly attacked the basic systems of both Soviet and Italian Communism.

The most severe blow to PCI prestige was probably the break with the Italian Socialist party. Since Nenni announced the end of the unity-of-action pact with the Communists in 1956, the two parties have engaged in a continuous controversy, although Communists and Socialists continued closely identified in the CGIL, cooperatives, and over 1,000 local governing bodies. On the vote confirming Fanfani's government in August 1960, the Socialists for the first time in 13 years abstained in preference to joining the Communists in the opposition. In November 1960 the Socialists for the first time presented provincial election slates in competition with Communist lists.

The prospect of PCI political isolation sharpened in early 1961 when the Christian Democrats

accepted Socialist collaboration in forming municipal governments in the key cities of Milan and Genoa.

Sources of Strength

Despite these blows, the Italian Communist party leadership probably views the future with some optimism. Rumors that Togliatti is about to be replaced have died down during the past year, and his position in international Communism is relatively high. After some initial hesitation over Khrushchev's criticism of Stalin he quickly stepped into line, and now is firmly behind Moscow in the Sino-Soviet dispute, although friction on the issue continues within the party.

He may anticipate that Soviet foreign policy will create less difficulty for the Italian party than was usually the case in the 1950s, but even if he is called on to defend a new switch, he probably hopes to rely heavily on the increased prestige the USSR has derived in recent years. The Soviets' success in orbiting the first space satellite in the fall of 1957 and their more recent Venus probe offer dramatic opportunities for Italian Communist exploitation.

The Italian Communist party, besides being accepted as a respectable political group, has heavily penetrated the Italian cultural field. Furthermore, the party retains its wartime prestige as leader of the anti-Fascist resistance, and it was natural for the Socialists and members of the center parties to join the Communists in the anti-Fascist rallies which precipitated the downfall of Premier Tambroni in mid-1960. While politically motivated strikes called by the Communists no longer attract the mass response Communist agitators were able to

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**CURRENT INTELLIGENCE WEEKLY SUMMARY**

elicit just after the war, the riots this summer showed that issues such as anti-Fascism can still elicit joint action with the Communists. In the spring of 1960 the Communists were able to exploit disorders between civilians and government paratroops in Pisa and Leghorn.

A rash of short strikes later in 1960 indicates a new urgency in labor's demands. Management no longer discriminates against the Communists in order to secure US-backed contracts for manufacture of military materials, and recent shop steward elections have again given the CGIL strong support. On genuine economic issues the Christian Democratic and Social Democratic labor unions participate in strike activity with the CGIL, as in the December walkout of metalworkers.

Moreover, Italy's basic socio-economic ills, which the Communists have long decried, are still to be cured. The disparity in wealth between north and south has not been overcome and maldistribution of wealth between social classes is still great. While the industrial north has a per capita income comparable to that of France, the national average is pulled down drastically by large

poverty-stricken areas in the south, where, in contrast with the national trend, the latest figures show income down and unemployment up; economic conditions in the south closely resemble those of Greece and Portugal. Even allowing for the reported one-third reduction of unemployment in the past two years, some 5 percent of the labor force of 20,000,000 is still jobless, and many others are underemployed.

Then, too, improvement of the economy has created a "revolution of expectations" which helps the Communists. In the November local elections, although they lost in the depressed south where they had earlier shown brief gains, the Communists recouped in the prosperous area--central and northern Italy--where they had earlier been losing ground. Despite the impact of the Hungarian revolt on Italian opinion, large numbers of voters in Italy are willing to express their dissatisfaction with their own government in a protest vote for the extreme left.

**Government Policy**

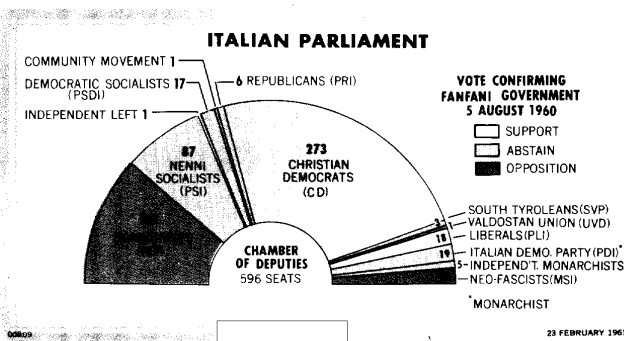
The domination of the national government by one party during virtually all of the postwar period gives the Communists an increasingly effective issue. In addition to charges of legislative inaction, they have been able to cite such specific cases of official

**ITALY**  
**DISTRIBUTION OF SEATS ON KEY CITY COUNCILS**  
**FOLLOWING LOCAL ELECTIONS OF 4 NOVEMBER 1960**

	CHRISTIAN DEMOCRATS	DEMOCRATIC SOCIALISTS	LIBERALS	REPUBLICANS	COMMUNISTS	NEBNI SOCIALISTS	NEO-FASCISTS	MONARCHISTS	OTHER
Rome (80 seats)	26	3	3	1	19	11	12	3	--
Milan (80 seats)	25	8	6	--	17	17	5	2	--
Turin (80 seats)	27	8	6	1	20	12	2	2	2***
Genoa (80 seats)	27	6	3	1	22	17	4	--	--
Venice (80 seats)	23	4	2	--	14	13	3	--	1*
Florence (80 seats)	22	4	3	--	20	8	3	--	--
Naples (80 seats)	21	1	1	--	19	5	3	30	--
Palermo (80 seats)	24	2	2	--	9	4	5	5	9**

\* Independent      \*\* Dissident Christian Democrats      \*\*\* Local Autonomy party

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

corruption as the Montesi scandal of 1953 and the Giuffre financial swindle in 1959--both of which allegedly involved Christian Democratic cabinet members--as well as the current uproar over contracts for the new Rome airport at Fiumicino. The Communists have astutely soft-pedaled the issue of clericalism, stressing rather the cynicism and general malaise which has developed in Italy during the Christian Democrats' monopoly of power.

The Christian Democrats probably realize that as a matter of practical politics, their ability to keep their own party together, derives in some degree from their posture as defenders of Italy from the largest Communist group outside the Sino-Soviet bloc. Possibly for this reason, they have failed to take effective action against the Communists in some areas--where it would seem to have been possible--such as curtailing East-West trade

In addition the minor parties supporting the government are reluctant to urge legal measures which, although designed to curb the Communist party, might nevertheless threaten their own civil liberties.

More important, the inability of a government supported by groups of divergent economic ideology to agree on needed socio-economic reforms has resulted in a series of short-lived cabinets and the narrowing of the center parties' parliamentary majority to less than 2 percent. The Christian Democrats' powerful right-wing minority last year prevented the party from forming a viable reformist government with a broadened majority based on Socialist parliamentary support. Such tactics threaten to drive the Socialists back into the opposition with the Communists.

The failure of Italian governments to reflect the national voting trend to the left also swells Communist support. Last summer the Christian Democratic Tambroni government's reliance--despite the disapproval of all other parties--on neo-Fascist parliamentary support permitted the Communists to achieve solidarity with the democratic parties in anti-Fascist demonstrations, which in some cases the Communists turned into bloody riots. The situation gave them an opportunity to attempt a renewal of Communist-Socialist cooperation which would put a roadblock in the way of a rapprochement between the Socialists and the Christian Democrats.

The Socialist - Christian Democratic coalition in the Milan and Genoa city governments has reportedly led PCI leaders to disagree over whether a more flexible attitude should be adopted toward the Socialists in order to avoid eventual isolation on the national level. The immediate Communist objective is to stymie Nenni's attempt to win broad Socialist backing for a move toward rapprochement with the Christian Democrats following the Socialists' March congress.

Outlook

Communist mass appeal and voting strength depend principally on factors outside the party: the state of the world's prosperity, the cold war, Communist ideological turns, and the domestic political and particularly the economic policies of the Italian Government. In the short run, formation of a rightist government would push the moderate left--even including left-wing Christian Democrats--toward joining ranks with the Communists in a kind of popular front. In the long run, an authoritarian government which deferred elections indefinitely would face

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

the threat of disturbances possibly leading to civil war. Some political leaders apparently continue to fear that former premiers Tambroni or Scelba or some other rightist leader will return to power and espouse such methods.

Formation of a Socialist-supported government which would undertake basic socio-economic reforms is obviously feared by Communist strategists. Even under such a government, however, the damage to party fortunes would probably be gradual. The poverty in some areas is still sufficiently intense and the appetite for consumer amenities has been sufficiently whetted elsewhere to keep the Italian populace vulnerable to class-war propaganda.

The party's propaganda machine has shown itself adept at magnifying the effect of even a mild recession like that of 1958, and at the same time attributing all economic gains to Communist pressure on the

business and political communities. The habit of protest-voting is deeply ingrained in Italy, and if the PCI becomes the only opposition party on the left it will probably be able to draw the protest vote until the Socialist--or some other--party emerges as a democratic alternative to Christian Democratic government.

If, on the other hand, an Italian government with a parliamentary majority enlarged by Socialist support should fail to act on socio-economic reforms, Nenni's party could be expected to suffer a fate similar to that of Democratic Socialist Saragat. When Saragat split away from Nenni in 1947, he took more than half the Socialist deputies with him but--as a result of his inability to influence the government's social policies--he now controls less than one fifth as many as Nenni. This time, the lost deputies would go to the Communists.  25X1

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