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6 April 1961

CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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

LAOS Page 1

The Soviet reply to Britain's note seems to reflect a desire to arrive at a political settlement, and the major questions to be settled now are the timing and location of an international conference and the establishment of a cease-fire. The Laotian Army, following the loss of Tha Thom, has launched an offensive aimed at retaking Muong Kassy, the initial phases of which apparently were successful. However, reports of recent Soviet airdrop activities suggest that threats to the government positions may be developing in the Vang Vieng area south of Muong Kassy. [redacted]

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CONGO Page 5

Opposition to the UN in Katanga reached a new peak following an incident on 3 April at Elisabethville airport between UN troops and a Katanga contingent. Both sides later announced that "normal relations" had been re-established, but further outbreaks could occur. Efforts to bring about a reconciliation between Gizenga and the Leopoldville regime are continuing, apparently with some initial success. The impasse between the UN and Congolese at the port of Matadi continues. [redacted]

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NUCLEAR TEST BAN TALKS Page 7

The USSR's initial response to the new Western proposals at the nuclear test ban talks suggests that it is undecided on its future course. Soviet delegate Tsarapkin limited his remarks to acceptance of those Western concessions that agreed with previous Soviet positions. The US delegation believes that the USSR's most likely tactic will be to protract the negotiations, possibly pending developments in US-Soviet relations. Foreign Minister Gromyko told Ambassador McCloy on 30 March that the Soviet proposal for a tripartite administration of the control system was a "sticking point" and admitted that the USSR desired a veto. The head of the Polish UN delegation has told an American official that the talks at Geneva would be deadlocked until after negotiations on general disarmament had started and shown some signs of progress. [redacted]

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CUBA Page 8

Increased activity has been apparent in the past week among anti-Castro groups both inside Cuba and in exile. New outbreaks of guerrilla activity have occurred in Oriente Province and near the border between Las Villas and Matanzas provinces. A number of international gatherings sponsored by Communist-front organizations are planned in Cuba for the coming months, providing

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further opportunities for spreading Castro influence elsewhere in the hemisphere. The Cuban complaint of US "aggression" is shortly to be discussed in the UN General Assembly's main political committee. [redacted]

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FRANCE-ALGERIA Page 11

Although both sides have indicated that talks will not begin at Evian on 7 April as scheduled, the door apparently has not been closed completely on a negotiated settlement. The rebels canceled plans for the talks ostensibly because they objected to a recent public statement by the French that they would consult with other Algerian groups. The PAG is probably attempting to force further concessions from the French, although there are indications that the rebels' willingness to negotiate may in fact have diminished. The French are not expected to compromise on their basic position that the PAG is not the sole spokesman for Algeria. [redacted]

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EAST GERMAN REGIME FAILS TO HALT REFUGEE FLOW. Page 12

Ulbricht's efforts to placate the populace, conciliate the professional class, and bring the regime's economic goals more into line with its resources have not reduced the East German refugee flow to West Berlin. More than 5,200 refugees reportedly arrived in West Berlin over the Easter week end, and more than 30,000 fled during the first quarter of 1961, up from about 20,000 a year ago. These flights not only drain East Germany's already short supply of manpower, but also impair the regime's prestige. However, Khrushchev's desire to avoid any Berlin incidents at this time prevents Ulbricht from attempting to solve the problem through the imposition of measures to bar East German access to West Berlin. [redacted]

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BULGARIAN REGIME UNCOVERS PARTY OPPOSITION Page 13

Sofia has announced the "discovery" of an opposition group within the party. This group opposes slavish adherence to Soviet practices and advocates policies in accord with Bulgaria's national interest. The regime last winter had tried to suppress news of the opposition groups, but rumors of its existence apparently forced the official admission this month. An effort has been made to implicate the Yugoslavs in the matter, probably in part to distract attention from the internal causes for opposition. The situation is under control, but serious dissatisfaction is reported in the middle and lower ranks of the party. [redacted]

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TITO'S AFRICAN TOUR Page 15

During the first part of his two-month African tour-- which included visits to Ghana, Togo, Liberia, Guinea, and Mali--President Tito apparently has had some success

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in his attempts to portray Yugoslavia as Africa's foremost champion in Europe. He has been attempting to convince African leaders that they could profit by Yugoslav policy and experience in solving their own problems and has privately warned that neither the Soviets nor the Chinese Communists can be trusted. Now in Morocco, Tito plans to end his tour with trips to Tunisia and the UAR.

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CAMEROUN Page 16

The pro-Western government of the independent Republic of Cameroun, already beset by a Communist-influenced terrorist campaign, fears that its survival is threatened by the results of the recent plebiscite in the neighboring British Cameroons trust territory. The southern part of the territory, a stronghold of elements hostile to Cameroun's moderate Moslem President Ahmadou Ahidjo, voted to join Cameroun, while the northern portion, where Ahidjo would expect to find support from conservative co-religionists, chose to join Nigeria. Ahidjo, with little apparent prospect of success, is pressing in the UN--which supervised the voting--for an annulment of part or all of the results.

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SENEGAL. Page 17

Senegal's pro-French President Leopold Senghor, whose position has been weakening for some time because of internal dissension and personal rivalries, faces mounting opposition, especially on the part of younger and more radical elements. There is increasing friction between him and Premier Mamadou Dia. The premier's apparent determination to press for an early decision on a number of pending issues could precipitate a political upheaval resulting in the President's enforced retirement.

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THE EICHMANN TRIAL Page 20

Israel expects the Adolf Eichmann trial not only to remind the world of the extremes to which anti-Semitism can be carried but also to link refugee Nazis with some Arab rulers, particularly Nasir. Trial testimony may embarrass prominent Israelis involved in wartime

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negotiations with Eichmann for the release of interned Jews. Communist propaganda will exploit any evidence which establishes the connection of present West German officials with the Nazi regime. Further repercussions from the trial may be felt during this summer's election campaign in West Germany.

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CHEN YI IN INDONESIA Page 21

Chinese Foreign Minister Chen Yi was partially successful during his visit to Djakarta last week in establishing a new basis for amity in Sino-Indonesian relations. Resentful of Peiping's past belligerence, however, the Indonesians slighted Chen on his arrival, restricted his movements to the Djakarta area, and cut his visit by two days. Nevertheless, Chen signed a friendship treaty and cultural agreement with his hosts and reopened the question of Chinese economic aid. He also joined with Foreign Minister Subandrio in a call for a new Afro-Asian conference, a move which both have long favored but which has been coolly received in some other capitals in the area.

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RECENT GROWTH OF THE INDIAN ARMY Page 22

The Indian Army, which has received increasing attention since the Sino-Indian border flare-up in 1959, has been increased from 410,000 to 500,000

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BRITAIN'S BALANCE-OF-PAYMENTS PROBLEMS Page 23

Britain's growing difficulties in international markets last year resulted in its largest balance-of-payments deficit on current account in the four deficit years since 1951, according to figures released in advance of the government's annual budget message on 17 April. Speculation against the pound last month resulted in a loss of \$173,600,000 in Britain's gold and dollar reserves. Pressures are growing for the government to depart from its current emphasis on anti-inflationary fiscal policies in favor of measures designed to stimulate economic growth.

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CHANGES IN THE AUSTRIAN GOVERNMENT Page 24

Alfons Gorbach, who will become chancellor of Austria's People's party - Socialist government on 11 April, is reshuffling the cabinet in an effort to resolve internal difficulties in his People's party and improve its prospects in the parliamentary elections due in 1962

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or 1963. A conservative himself, Gorbach leads the moderate reform element in the party, and intends to play a more vigorous role than his predecessor, Julius Raab. His four new ministerial appointments reflect a desire to inject more youth and energy into the conduct of national as well as party affairs. [redacted]

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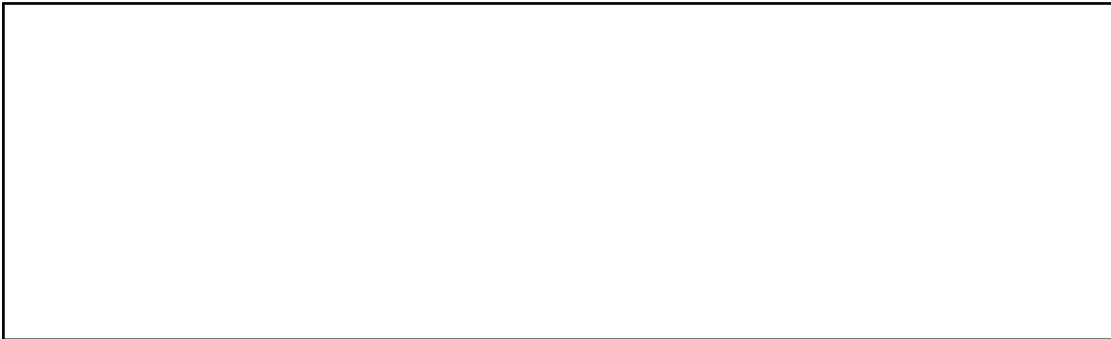
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EL SALVADOR. Page 25

The civil-military directorate that came to power on 25 January is trying to overcome the resistance of El Salvador's powerful landowning class to a series of moderate economic and social reform laws promulgated in March. These reforms are not being implemented fast enough to suit many young officers, and their pressure is likely to bring about a reorganization of the cabinet in the near future. [redacted]

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SPECIAL ARTICLES



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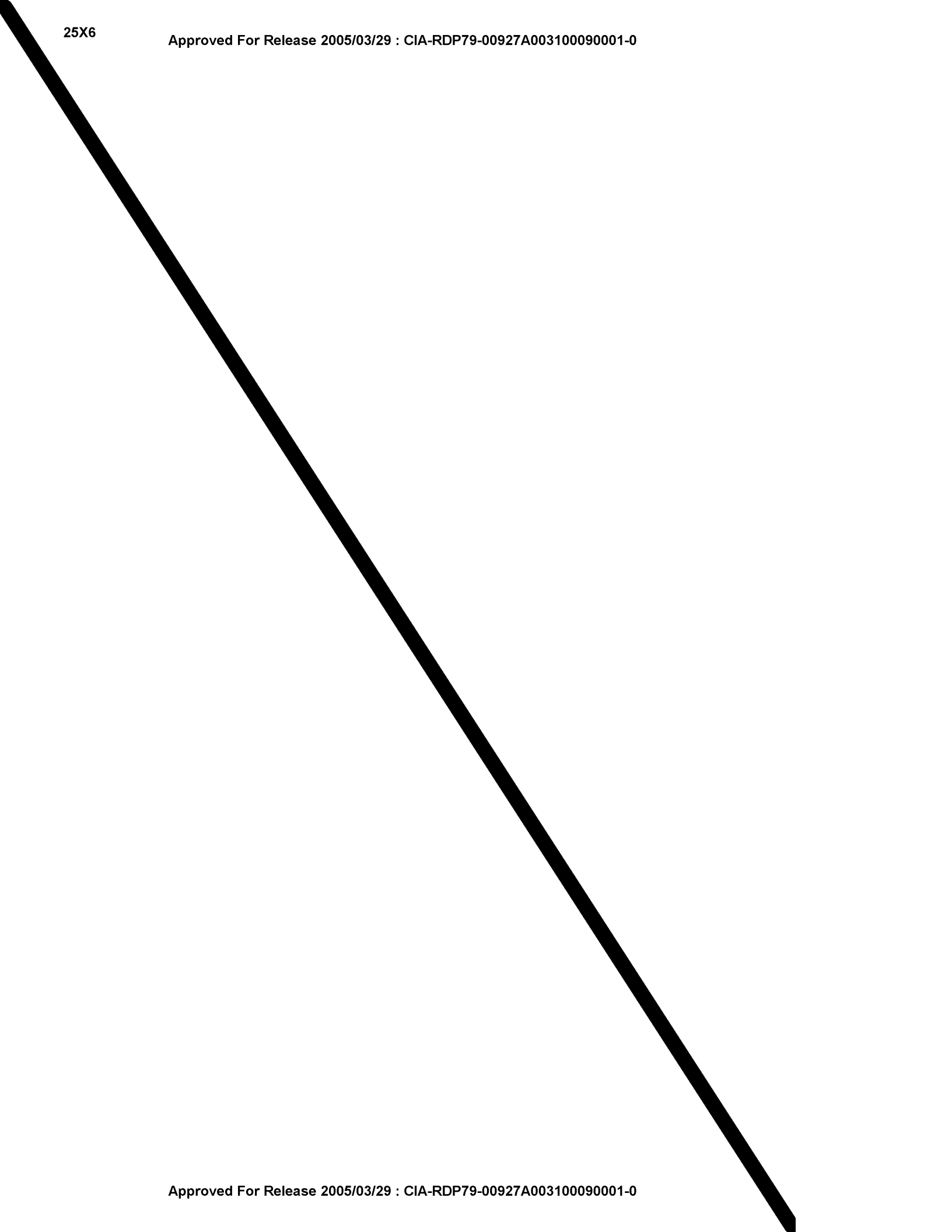
THE TWO-CHINAS ISSUE Page 5

The Chinese Communists are laying increasing stress on their opposition to settling the Taiwan problem on the basis of a two-Chinas concept. This issue not only plays a decisive part in Communist China's attitude toward the UN but is also a critical element in other areas of foreign policy. Peiping insists, for example, that Japan must reject the two-Chinas formula before there can be any considerable expansion of Sino-Japanese trade. The Chinese Nationalist leadership is equally opposed to any de jure separation of Taiwan from the mainland, but has on a few occasions demonstrated some tactical flexibility on the issue. [redacted]

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****WEEKLY REVIEW****LAOS**

The Soviet reply on 1 April to the British proposals on Laos, while accepting the UK suggestion for a joint appeal by the Geneva co-chairmen for a cease-fire in Laos, did not advance the USSR's position in any essential respect beyond that stated in its aide-memoire of 18 February to the UK proposing the immediate convening of the ICC and an international conference. However, the Soviet note did propose the "interested parties" of Laos should hold negotiations on questions connected with a cease-fire. This suggestion provides further evidence that the bloc will seek to avoid any commitments on a formal cessation of hostilities prior to a conference.

The Soviet note implicitly rejected the Western position that a conference cannot be held until the effectiveness of a cease-fire is verified by both the Geneva co-chairmen and the International Control Commission (ICC). Moscow said that the ICC should call a meeting as soon as possible in New Delhi and present its report to the co-chairmen. However, it failed to spell out the authority and functions of the proposed ICC meeting.

The Soviet note did stipulate that the renewal of the ICC should in no way impede the convocation of a conference.

This formula suggests that the bloc would seek to restrict the ICC to a fruitless debate, at least during the period before an international conference.

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The Asian Communists

Chinese Communist Foreign Minister Chen Yi, speaking to

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newsmen in Djakarta on 2 April, was quoted by Western press services as saying that Peiping is prepared to respond to any intervention by SEATO forces by introducing Chinese troops, if requested by the "legal government of Souvanna Phouma." The timing of this threat, following on the heels of the Soviet note to the UK, suggests that Peiping's immediate intention is to create a sense of urgency and generate further pressure on non-Communist governments to accept bloc terms on Laos.

On 5 April, after waiting three days, Peiping broadcast its own version of Chen Yi's press conference and quoted him as saying that if SEATO intervened and if a request were received from the Souvanna government, China would "not remain idle." In both the Peiping and Western press versions of the Djakarta interview, Chen recalled the Chinese entry into the Korean war when the US, "menacing China's security, carried the fighting to the Yalu River." While this Peiping broadcast has made Chen Yi's warning more ambiguous, it underscores Communist China's determination to present its interests as vitally linked to Laotian developments.

Moscow, in broadcasting Chen Yi's remarks, quoted him as saying Peiping "will not remain indifferent" to SEATO intervention but omitted reference to the Korean war or to Nationalist irregulars in Laos.

Chen Yi used his Djakarta press conference to allege that a threat is posed by the Nationalist troops, and Peiping has increased its propaganda attention to this issue over the past week. On 31 March, Peiping claimed for the first time that the irregulars have conducted raids into Chinese territory from Laos.

Communist China, North Vietnam, and the Pathet Lao have all indicated their endorsement of the Soviet proposals on Laos.

Pathet leader Souphannouvong, in a 1 April statement, and Souvanna Phouma's Xieng Khouang "representative" Quinim Pholsena, in a statement of 2 April, both demanded the withdrawal of "US, Thai, South Vietnamese, and Chinese Nationalist military personnel." The emphasis on this withdrawal suggests it is a point which may be used to prolong any cease-fire negotiations that may be held.

Laotian Attitudes

Laotian Government spokesmen, meanwhile, have indicated satisfaction over progress in East-West discussions on Laos, as well as a readiness to negotiate with Souvanna Phouma and the Pathet Lao toward the possible formation of a government of national unity. The danger of a panic appeal for assistance from SEATO has been reduced by Vientiane's reassurance that the great powers are

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moving toward achieving a cease-fire. Laotian spokesmen have expressed readiness to accede to a cease-fire, although Vientiane had previously declared that the Soviet airlift must end and North Vietnamese troops must be withdrawn before it takes effect.

The Boun Oum government, however, is still concerned over the possibility that pro-Communist forces will take advantage of any transitional period before a final settlement to seize control throughout the country.

Souvanna Phouma in turn, during his recent talks with British officials, professed concern over a possible improvement in Phoumi's position in any interim before the convening of an international conference. Although Souvanna, in outlining his views on the composition of a transitional government in Laos, seemed to appreciate the desirability of restricting "leftist" ministers to minor posts, the British found him overconfident on the prospect of holding early elections. British officials told the American Embassy in London that despite the risks, they regard him as the only Laotian offering promise toward a political settlement and a neutral Laos.

Souvanna now is in Paris and will visit Belgrade, Warsaw, Moscow, and Peiping before returning to Phnom Penh.

The Military Situation

Laotian government troops on 5 April launched a combined

air-ground offensive aimed at the recapture of Muong Kassy, about 20 miles south of the Phou Khoun road junction on Route 13. The action involves a simultaneous drive toward the town by paratroop and infantry elements airlifted to a point just north of Muong Kassy and by government forces positioned south of the town. The initial phase of this operation apparently took the enemy by surprise, and continued success would provide a much-needed boost to government morale.

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A developing threat to the government forces south of Muong Kassy may be indicated by reports of Soviet air drops possibly including paratroops

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The fall on 31 March of Tha Thom, the government's main base south of the Plaine des Jarres, was a serious psychological blow to the government troops. They fled in disorder under intensive artillery fire from heights overlooking the town and have withdrawn southward to Pak Sane. Meo guerrillas, who have been effectively harassing the Pathet Lao north of Tha Thom, now are in a more isolated position and have come under increased enemy pressure.

Army officers in Luang Prabang have also been concerned over unconfirmed reports of Kong Le - Pathet Lao flanking movements around government troops blocking the southern approach to the city on Route 13 and of troops moving toward the city from the Nam Bac area to the north.

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

UN efforts to reach an agreement with the Congolese on the question of UN troops in the lower Congo region remain stalemated. In Katanga, Moise Tshombé's military effort against Baluba tribesmen threatens to involve the UN in a clash there.

UN-Congolese relations in Leopoldville have improved during Rajeshwar Dayal's absence in New York, but the Congolese still oppose the re-entry of UN troops into the Matadi area. Hammarskjold remains adamant that his troops must return to the port eventually; however, he is attempting a moderate approach to the issue.

On 3 April he told American and British officials in New York that he would propose

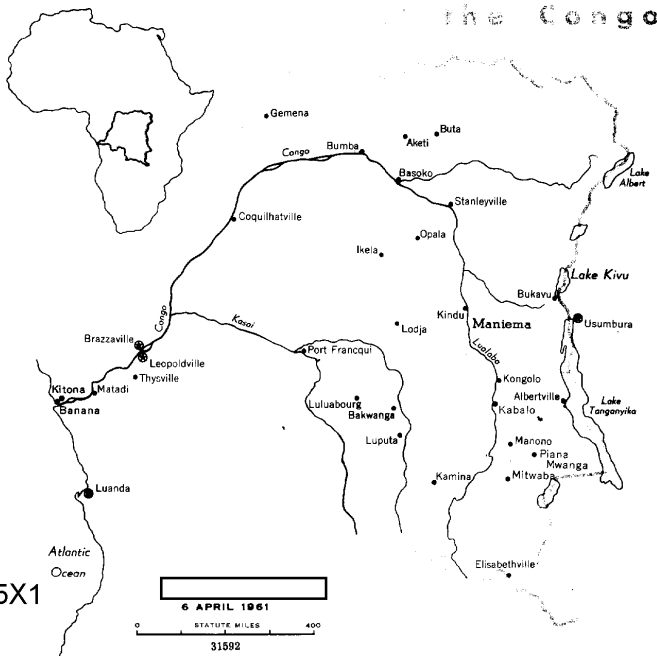
to the Congolese that a force limited for the time being to 100 Nigerian police be sent to Matadi. He planned to ask for an early answer and stated that if no favorable reply were received, he would bring the matter before the Security Council.

President Kasavubu following his recent visit to the lower Congo has reiterated his opposition, asserting that the return of UN troops to the port would inflame the civilian population as well as possibly provoke disorders on the part of Congolese armed forces.

In a 3 April speech to the Indian Parliament, Nehru took note of the "campaign against Mr. Rajeshwar Dayal" and made public his opposition to the replacement of Dayal "either now or in the immediate future." He implied that India's willingness to maintain troops in the Congo would be partly conditioned by the UN's position on Dayal.

Meanwhile, in a move designed to placate opposition to Belgium in the UN, Brussels has announced that it is ready to comply with the Security Council resolution of 21 February calling for the withdrawal of Belgian personnel from the Congo. It continues to insist, however, that it has no direct control over most of the Belgian military and civilian "advisers" in the Congo.

Exploratory discussions on a rapprochement between Leopoldville and the Gizenga regime in Stanleyville were begun when Leopoldville Provincial President Kamitatu--with the blessing of Kasavubu's government--

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visited Gizenga on 3-4 April. Kamitatu told an American official on his return that he believed Gizenga would accept a subordinate ministerial position under virtually any prominent personality, provided the government was approved by parliament. Further discussions between Leopoldville officials and Gizenga reportedly are to take place this week.

Discussions in late March between the military representatives of Leopoldville's General Mobutu and Stanleyville commander Lundula reportedly were cordial and may lead to a meeting of the principals at Lisala about 10 April. The military leaders, who believe that the UN may intend to disarm all Congolese armed units, fear that the Congo Confederation plan proposed at the Tananarive conference would fragment the military forces along with the political dismemberment of the Congo.

The Gizenga regime is still complaining about the failure of bloc and African states to furnish supplies.

Katanga is now the scene of greatest tension. Tshombé's forces, led by about 60 South Africans, have captured Manono, their first goal in reasserting Tshombé's authority over dissident areas of north Katanga. They apparently have also moved

on to Kabalo. The UN Command, endeavoring to enforce its previously proclaimed ceasefire, has moved Indian troops into Katanga at Kamina in the face of Tshombé's threats that their presence could mean "war." Hammarskjold told the General Assembly on 5 April that the entire Indian contingent of 4,700 troops would be stationed in Katanga. Most of the contingent, which is being sent by sea, is scheduled to land at Dar es Salaam this week end. It will then be airlifted to Kamina.

Elisabethville is tense, largely because of fear that Indian troops may be landed there. On 3 April there were disorders at the airport against Swedish troops after Katanga government officials had aroused the populace to action against the UN. The next day, local and UN officials reached an agreement to permit joint control of the airport by Katanga and Swedish troops. The UN agreed to give Tshombé's government notice of anticipated movement of UN troops into Katanga.

On 5 April, however, Irish troops were sent to reinforce the Swedish forces at Elisabethville without advance notice. Renewed disorders may occur at any time if reports of the imminent arrival of the Indian troops gain public circulation. [redacted]

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NUCLEAR TEST BAN TALKS

The USSR's initial response to the Western proposals at the nuclear test ban conference suggests that Moscow is still undecided as to its future course of action. After having previously indicated that a reply would be forthcoming after the Easter recess, chief Soviet delegate Tsarapkin on 4 April limited his remarks to acceptance "in principle" of those Western concessions that accepted previous Soviet positions. He stated that Soviet specialists were still studying other portions of the new Western plan. Although Tsarapkin adopted a more positive tone than he has used in his informal comments outside the conference, his statement represented no change in existing Soviet positions.

The Soviet delegate accepted 1) the American and British proposals for a permanent ban on testing in outer space; 2) the Western offer to permit Soviet technicians to inspect nuclear devices to be used in both the research program for improving detection methods and in explosions for peaceful purposes; and 3) Western agreement to a veto over the total budget.

Tsarapkin showed no flexibility on those aspects of the proposals where the West was not fully in accord with Moscow. He maintained the Soviet position that there should be one-for-one parity in nuclear detonations for the peaceful uses program. He also stated that the USSR continued to insist on a veto over individual portions of the budget and

charged the West with inconsistency in agreeing to the right of an over-all veto without allowing a veto on specific items. He concluded by describing his acceptance as a "positive step." On the following day Tsarapkin again pressed the Western delegations to record the conference's agreement in principle to the points accepted by the Soviet delegation.

Although Tsarapkin failed to reiterate the Soviet proposal for a tripartite administration of the control system, Foreign Minister Gromyko told Ambassador McCloy on 30 March that this was a "sticking point" for the USSR and admitted that Moscow desired a veto. Gromyko said that while Moscow would make a serious study of the American proposals, he was not impressed thus far. As an example, he stated that the USSR did not consider Western reduction in proposed control posts in the USSR from 21 to 19 an important gesture.

In a subsequent conversation with an American official on 3 April, the head of the Polish UN delegation, who participated in the McCloy-Gromyko talks, stated that he had received the impression from Gromyko afterward that the test ban negotiations would be "locked," with no real progress until after the talks on general disarmament had started and shown some signs of advance. The Pole said he believes the USSR is not completely aware of the serious negative effect a failure at Geneva would have on the US attitude toward general disarmament.

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Prior to Tsarapkin's remarks on 4 April, the US delegation had been inclined to believe that the USSR would prefer to have the West take any action in breaking off the conference and that the most likely Soviet tactic would be to protract the negotiations. This would have the advantages for Moscow of prolonging the current uncontrolled moratorium, of providing opportunities for underlying US and British divergences to emerge if pressure mounted in the US for renewed testing, and of giving the USSR some justification for refusing nuclear weapons to the Chinese Communists.

The delegation, however, believes that, in view of the forthcoming general disarmament talks, the next French test may be used as a possible pretext for a Soviet move to terminate the talks--on the grounds that a test ban in itself would not contribute to disarmament--and to propose a merger of a test ban with other disarmament plans. There are no current signs that the USSR intends to withdraw, but both the American and British delegations are increasingly inclined to believe

that prospects for reaching a quick agreement on an acceptable basis are not bright.

Soviet propaganda commentary on the talks dropped off during the Easter recess. After their resumption, however, Pravda published the text of Tsarapkin's interview with CBS correspondent Schorr on 23 March in which the Soviet delegate termed the main Western proposals unacceptable. In an interview with the East German news service on 30 March, Tsarapkin described the Western concessions as "much ado about nothing."

Referring to the US offer of parity representation on the control commission, Tsarapkin said that consent to the principle of parity "was linked with so many conditions that in practice very likely nothing will be left of it." He claimed that on all other essential points except those which accepted known Soviet positions, the US was "simply adhering to its old point of view, which is unacceptable to the Soviet Union." Tsarapkin also charged that continuation of French testing would directly endanger the conference and would render a treaty invalid. 25X1

CUBA**Anti-Castro Groups**

Increased activity has been apparent in the past week among anti-Castro groups both inside Cuba and in exile. Holy Week was the occasion for new popular

demonstrations against the government in Havana and elsewhere on the island as the Roman Catholic Church, although relatively weak in Cuba, came increasingly to be identified among some segments of the opposition as a

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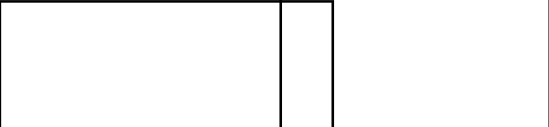
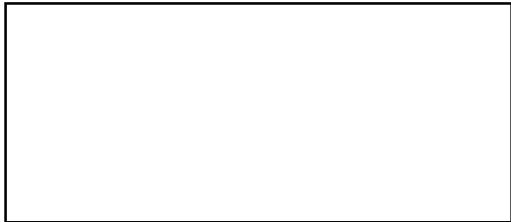
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rallying point for the anti-Castro, anti-Communist cause.

where, particularly in Oriente Province and near the Las Villas - Matanzas border

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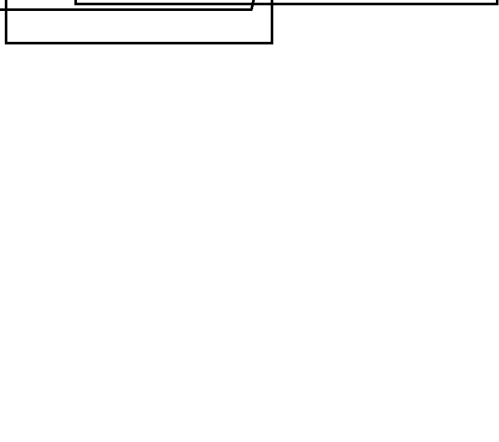
International Contacts

The guerrilla bands in the Escambray Mountains continue active

The Communists continue to use Cuba as a base for spreading their influence elsewhere in the hemisphere. Preparations are under way for holding a meeting of the executive committee of the Communist-front International Students' Union in Cuba next month.



An "international volunteer labor camp" for youths is scheduled for Cuba in June. A conference of Latin American Women is to be held possibly this month in Brazil to prepare for a World Congress of Women in Cuba later this year under Communist-front auspices. Invitations are going out to a number of countries, in Latin America as well as the Sino-Soviet bloc, for representatives to participate in May Day celebrations in Cuba.



These various gatherings in Cuba will provide further opportunities for liaison among Latin American and bloc Communist leaders and for spreading Castro influence among susceptible groups from other countries.



New outbreaks of guerrilla activity have occurred else-

Cuban Minister of Education Armando Hart, now traveling

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in several bloc countries, concluded a five-year cultural agreement with the East German regime on 29 March providing for the exchange of cultural groups, TV programs, and "informative material." Although East Germany remains the only bloc country with which Cuba does not yet have formal diplomatic relations, recent East Berlin broadcasts have reported the arrival there of a Cuban "mission," apparently permanent, which was greeted by officials of the East German Foreign Ministry.

Municipal officials of Moscow and Peiping are currently touring Cuba, returning the recent visits by the former Havana municipal councilor.

The Economy

The recent visit to Venezuela by the Soviet ambassador to Mexico was followed by reports that Moscow is seeking to have Venezuela resume at least a portion of its petroleum exports to Cuba. Although the Soviet Union has considerably expanded its tanker fleet since it began providing Cuba with all its petroleum needs in mid-1960, a resumption of Venezuelan oil shipments to Cuba would relieve the USSR of at least a portion of an expensive burden.

The Cuban refineries were built to process Venezuelan crude, and have not operated as efficiently with the Soviet product, which has a relatively high sulfur content. In addition, the "lighter" Soviet crude does not provide the quantities

of fuel oil required by Cuba, which necessitates large additional imports of fuel oil. It is unlikely that Venezuela will soon resume its traditional exports to Cuba. In any event, Venezuela's insistence on cash payment for its oil sales would require Moscow either to provide Cuba with the necessary foreign exchange or to reimburse Caracas for its exports to Cuba under some sort of triangular trade arrangement.

Cuban sugar production appears to be proceeding at a normal rate despite frequent fires in the canefields. Che Guevara, in his 28 March speech, implied that production had already nearly reached the 4,000,000 tons which the Sino-Soviet bloc is committed to buy. This quantity, about two thirds of the total expected crop, will be sold or bartered to the bloc at a premium price of four cents per pound. The remainder--the "sacrifice crop" for which the workers are to receive lower wages--is to be sold on the free world market. Morocco, Japan, and Chile have already contracted for Cuban sugar at prices equal to or slightly below those prevailing in the world market.

At the UN

Cuba's complaint of US "aggression and acts of intervention" may be discussed in the UN General Assembly's main political committee as early as 10 April. Certain members of the Afro-Asian bloc are reported planning to present a resolution highly critical of the

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United States. The Mexican and Ecuadorean UN delegates believe that it would be preferable for the Latin American members to submit their own proposal "calling for peaceful settlement" and citing UN Charter provisions relating to use of regional organizations for settlement of disputes. Such a resolution, particularly if it had Latin American sponsorship, would command wide support

in the 99-member General Assembly.

For some weeks Cuba's public position has been that it is willing and anxious to engage in bilateral discussions with the US, provided such discussions are "on a basis of equality and with an open agenda," but that the present attitude of the US Government would make any such discussions at this time "useless."

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FRANCE-ALGERIA

The rebel provisional Algerian government (PAG) has modified its 31 March announcement that it would cancel the negotiations scheduled to begin at Evian on 7 April, apparently in an effort not to close the door completely on a negotiated settlement. However, the PAG has announced that its representatives will not arrive on schedule, and it appears determined to force further concessions from the French.

The French cabinet on 6 April issued a communiqué stating that the Evian talks would not open on schedule because of the attitude of the insurgents. Officials of the Ministry for Algerian Affairs apparently feel that the rebels' 31 March announcement was an attempt to exploit Joxe's speech in order to rush the French into taking a firm position on the issue of the exclusive right of the PAG to represent Algeria in negotiations. France has repeated its willingness to talk to the rebels

on the same terms they agreed to in March, but it is not expected to compromise its fundamental position that the PAG alone cannot decide the future of Algeria.

The PAG position is outwardly a reaction to French Minister for Algeria Joxe's confirmation on 30 March that prior to and during the Evian talks France would consult with other Algerian groups--including the Algerian National Movement (MNA). The PAG considers that any suggestion that the French would deal with the rival MNA on the same basis as with its representatives would undermine the PAG claim to be the sole spokesmen for the Algerian people. The PAG leaders undoubtedly feel that if they went to Evian under these circumstances they would be discredited both internationally and in the eyes of the rebel fighting forces.

Rebel ministers Boussouf and Yazid told the US ambassador

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in Tunis on 3 April that the PAG considered Joxe's statement symptomatic of basic French unwillingness to negotiate "sincerely" or "realistically." Boussof and Yazid, who stressed that they were authorized to speak for the PAG, pointed out that the rebels had been aware since 27 March of Paris' intention to consult the MNA and had warned the French publicly and privately that any such consultations would have to be completed before the Evian talks to avoid confusing them.

There are indications that the PAG resolve to seek a negotiated settlement may have diminished. The US embassies in Tunis and Paris feel the PAG may have a genuine fear of being tricked or outmaneuvered. How-

ever, Tunisian Secretary of State for Information Masmoudi asserted on 3 April that the PAG was delaying negotiations because rebel vice premier Belkacem Krim's illness had prevented agreement on the composition of the Algerian delegation.

Tunisian President Bourguiba told the US ambassador on 3 April that the PAG leaders were not following his advice to avoid excessive caution. Bourguiba further stated his opinion that Cairo and Moscow were playing on every fear and suspicion of the PAG. He thinks the rebel leaders are concerned over the complexities of assuming power in Algeria, and are not yet ready to take sufficient risks to crystallize independence.

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EAST GERMAN REGIME FAILS TO HALT REFUGEE FLOW

Party leader Ulbricht's recent "liberalizing" measures to placate the East German populace and bring economic goals more in line with reality have not had the desired effect of reducing the refugee flow through West Berlin. More than 5,200 East Germans reportedly fled to West Berlin over the Easter week end, in addition to the 30,000 who had escaped during the first three months of the year; approximately 20,000 fled in the first three months of 1960.

Among the escapees are more than 5,500 young men of military age who presumably are seeking better job opportunities. Intellectuals and professional men also continue to escape in large numbers. The West-East flow--returning defectors as well as some West German emigrants--was at one time an important countervailing influence but appears to have dropped sharply over the last 18 months.

At the 12th plenum of the Socialist Unity party (SED) ending on 19 March, Ulbricht at-

tempted to take a middle-of-the-road position on the refugee question, apportioning blame for the flights almost equally between harsh "sectarian" practices by East German officials and "recruitment by the slave trade, systematically directed from Bonn." Ulbricht is obviously confronted by a problem: Khrushchev wishes to avoid any incidents resulting from an imposition of harsher East German security measures to bar access to West Berlin, yet Ulbricht must curtail the flights, which not only seriously cut into the already short supply of East German manpower but also impair the regime's prestige drastically. He must also consider the potentially explosive effect on an already discontented populace if the Berlin escape hatch is closed.

While there has been no direct evidence that party leaders are criticizing Ulbricht's liberalization policies, the mounting intensity of his attacks on "sectarians" suggest that middle-level party officials are

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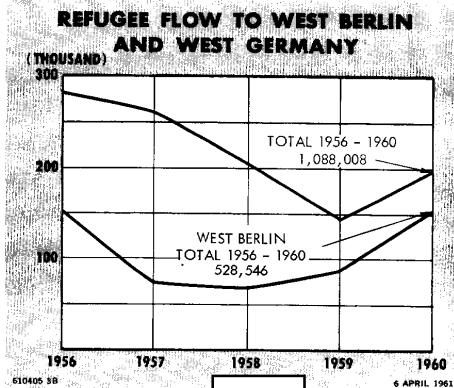
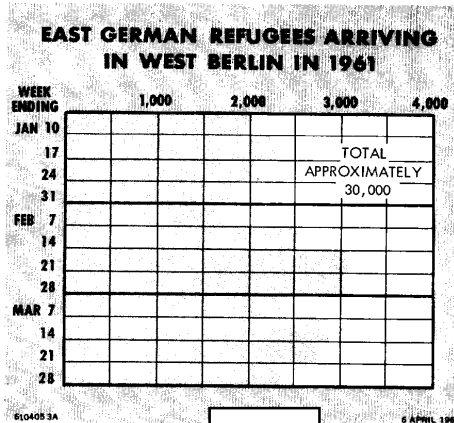
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becoming increasingly outspoken in demanding harsher measures to prevent escapes.

present Soviet policies would not permit closing the sector borders, although Ulbricht had repeatedly asked Moscow for permission to do so. Instead, the SED was using the "soft" approach to eliminate some of the grievances of elements most prone to defect, while placing ultimate hope in Moscow's ability to pressure the Western powers into accepting the "free city" proposal for West Berlin.

The decision of the 12th plenum to impose rigorous economy measures and close out the aircraft industry in order to divert its manpower and production facilities to other uses may increase the refugee flow. Apprehensive lest these new measures make life even more difficult, already dissatisfied workers may be prompted to leave the country.

The entire regime, from Ulbricht down, is intensifying its attack on "sectarian" practices by local officials in order to reduce worker unrest. In the present atmosphere, however, any attempt by the regime to enforce the provision of



the new labor code, permitting it to transfer workers arbitrarily from one part of East Germany to another, would be likely to aggravate already existing discontent.

(Concurred in by ORR)

BULGARIAN REGIME UNCOVERS PARTY OPPOSITION

Sofia has announced the discovery of an opposition group within the party. The regime had tried to suppress news of the opposition elements--uncovered last winter--but widespread rumors apparently forced the official admission this month. The situation is under control, but dissatisfaction in the mid-

dle and lower ranks of the party and among the people has been described by a knowledgeable source as the most serious since the abortive "leap forward" program in 1959.

The appearance of opposition activities in the hitherto quiescent party may have been

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facilitated by a belief that the ambiguous outcome of the international Communist meeting in Moscow last fall permits the expression of divergent--even Titoist--views.

"faithless and distrustful" party members who "gloat over difficulties" and who have "sold themselves to foreign agents."

Although the editorial did not identify the "foreign agents," rumors have linked the group with Vladimir Sindjelic, second secretary of the Yugoslav Legation who was declared persona non grata on 7 March. At that time, Sofia publicly charged him with having attempted to make contacts with Bulgarian citizens and with denouncing the Bulgarian regime and its policies.

By suggesting that the Yugoslavs are behind the opposition groups, the regime may be attempting to play down internal causes of dissension. The regime's overly ambitious economic policies of 1959-60 have left the regime vulnerable to charges of unrealistic planning. In addition, several programs adopted in connection with the "leap forward"--such as the sweeping administrative reorganization and rapid merging of collective farms--have been accompanied by many new problems.

The extent of support from outside the party is not known. The US Legation has noted recent efforts by the Bulgarian authorities to impose further restrictions on contacts between some Western legations and Bulgarian citizens, a move which may have been intended to prevent word of the opposition groups from leaking out.

An editorial in the April issue of the party's monthly, Party Life, confirms rumors that have reached Western diplomats in Sofia that Dobri Terpeshev and Yonko Panov--former leaders ousted for "revisionist" sympathies--were ringleaders. These two, plus Nikola Kufardzhiev--probably the secretary of the Central Council of Trade Unions--allegedly organized

The US Legation has noted a sense of urgency in several measures taken since the first of the year to deal with agricultural problems. This urgency may reflect efforts to forestall further criticism from opposition elements. A full-dress party central committee meeting will convene on 12 April to consider all aspects of agricultural problems and planning.

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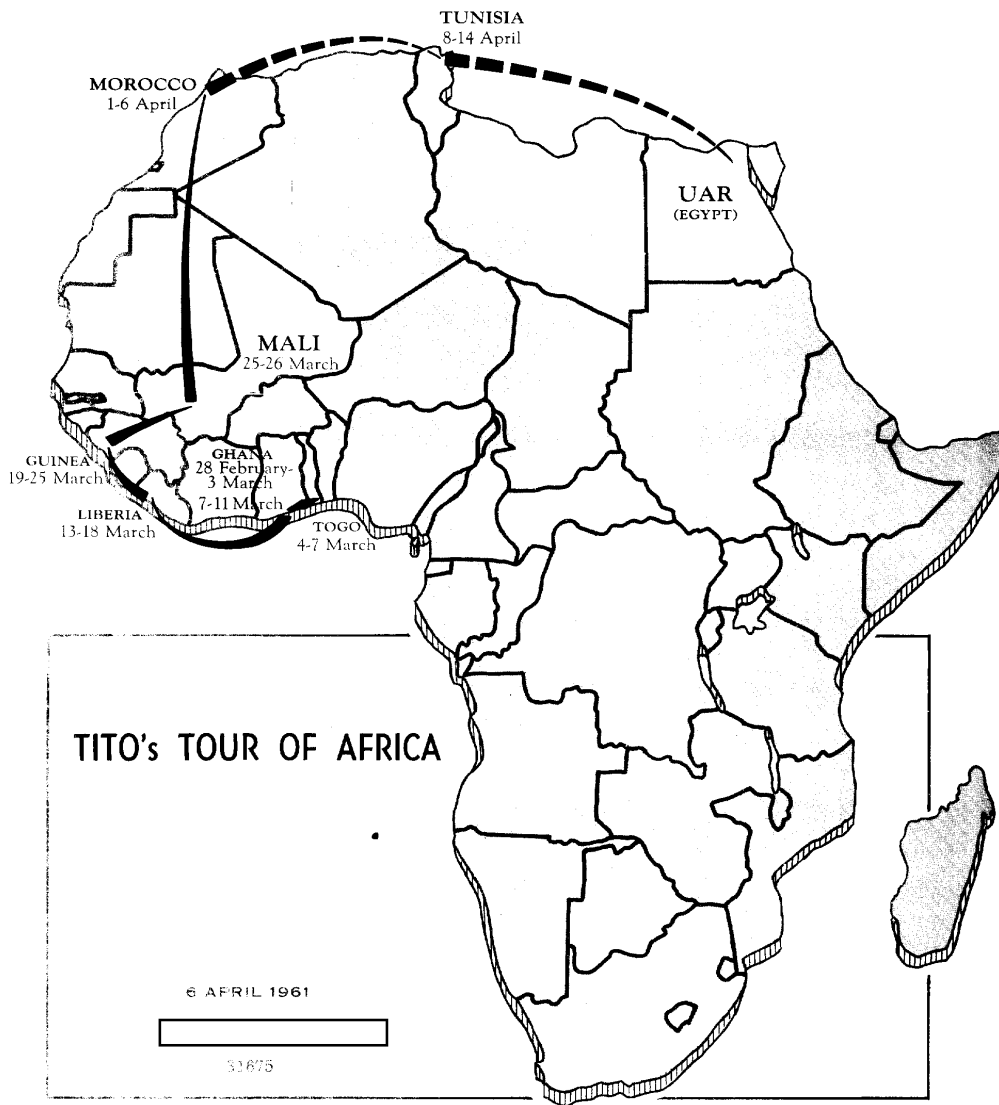
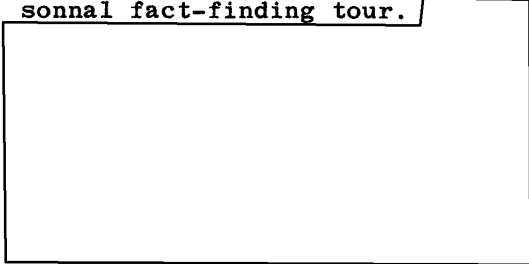
TITO'S AFRICAN TOUR

During the first part of his two-month tour of Africa-- which included visits to Ghana, Togo, Liberia, Guinea, and Mali --Yugoslav President Tito apparently has had some success in his attempts to portray his country as Africa's foremost champion in Europe.

Tito, who apparently intends to develop a more realis-

tic policy toward Africa, desired to use the trip as a personal fact-finding tour.

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The Yugoslav President has been well received at all his stops; Ghana and Guinea were the high spots. His short visit to Mali--arranged after the tour was already in progress--was also successful. The communiqués Tito signed with the leaders of these three states played up the themes often espoused by Belgrade, such as anticolonialism, the UN's failure in the Congo, and aid without strings for underdeveloped states.

Tito held a press conference on 26 March in Conakry, Guinea, which revealed that he had discussed questions of domestic policies with some leaders and believes the area is ready to adopt some Yugoslav

ideas. He stated that "the goal" of the African peoples is "socialist development" but that "leading figures in these countries do not believe that socialism can be attained in the classical manner, according to a rigid mold"--i.e., as envisioned by the Soviet bloc. "There is a tendency among the people in these countries to follow our example in many things," Tito claimed. In his speeches, Tito has consistently pictured Yugoslavia as a country which has successfully met many of the problems now faced by Africa, and he has offered aid, including financial.

While in Togo, Tito told Prime Minister Olympio that neither the Soviets nor the Chinese Communists are to be trusted, according to Western diplomats. "You can do business better with the Americans than with the Russians," Tito said.

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CAMEROUN

The Republic of Cameroun is pressing in the UN for annulment of the plebiscite held last February in the northern sector of the British trust territory of Cameroons, which opted for union with Nigeria. This effort by Cameroun is motivated largely by the southern sector's simultaneous vote in favor of joining the Republic. President Ahidjo's moderate regime has drawn its main support from the conservative Moslem rulers of the backward northern party of Cameroun.

It now is confronted with the prospect of stronger opposition from more radically inclined political elements common to the more modernized southern areas of both the Republic and the British Cameroons. Cameroun, a country of some 3,200,000 people, now must absorb an additional 300,000 Bamileke tribesmen living on both sides of the border whose restiveness in recent years has been exploited by the terrorist wing

of the Cameroun People's Union (UPC), a Communist-influenced nationalist organization.

In addition, a new and powerful personal rival to Ahidjo has been projected into Cameroun politics in the person of Southern Cameroons Premier Foncha, who campaigned much more vigorously for "reunification" than did the Cameroun government. Foncha's prestige and bargaining position have been boosted significantly by the unexpectedly large majority--about 70 percent--for union with Cameroun.

Backed by a National Assembly resolution, Ahidjo's government has instructed its delegation to the resumed UN General Assembly session to contest the plebiscite results in Northern Cameroons and to seek another vote there--or even in both sectors. As the basis for its case, Cameroun is charging irregularities by British administrators before and during the plebiscite. Assured the full

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gime's charges of electoral irregularities.

A continuation of Cameroun's inflexible attitude seems certain to impose a severe strain on its relations with Nigeria. Northern Nigerian leaders, whose influence predominates in the federal coalition government, have publicly stated their vital interest in Northern Cameroons, which had been administered as part of Nigeria's Northern Region prior to last October. The Communist bloc's failure so far to exploit the issue apparently stems from an appreciation of this Nigerian sensitivity.

Ahidjo's anxieties have been compounded by an appreciation of the many thorny practical problems--legal, linguistic, monetary, administrative, and security--involved in the attempt to federate British Southern Cameroons with the French-speaking Republic. Already hard pressed to maintain order, he is particularly concerned over the possibility that international pressures might force the British to surrender their responsibilities in the southern sector before he can find replacements for their administrative and security personnel. Such a development would invite new UPC-inspired disorders and probably lead to pressure for direct assumption of these responsibilities by the UN itself.



backing of its chief patron, France, and of the 11 other moderate former French African territories, the Ahidjo regime now is campaigning vigorously for additional support, indicating that Cameroun will count its friends on this basis.

A majority of UN members are expected to support the UN plebiscite commissioner's report, which will almost certainly not sustain the Ahidjo re-

SENEGAL

The stability of the Senegalese Government, headed by pro-French President Leopold Senghor, is impaired by internal dissension and personal rivalries. Within the Senegalese Progressive Union (UPS), which

controls all the seats in the National Assembly and all important government posts, Premier Mamadou Dia and others who formerly cooperated with the President have increasingly been in conflict with him. Dia

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apparently pushed through Senegal's recent recognition of Communist China and North Vietnam in the face of Senghor's desire to temporize.

Other elements of the UPS, particularly many younger members whose outlook has much in common with that of the militant nationalists of Mali and Guinea, want to relax, if not discard, Senegal's close ties with France (Senegal is one of only six states retaining formal membership in the French Community). They object to the President's indiscriminate placement of friends and relatives on the public payroll and his efforts to clip the wings of Valdidio N'Diaye, ambitious young interior minister and acting defense minister.

These elements are also dissatisfied with Senghor's refusal to permit a merger of the UPS and the only legal opposition party, the small, leftist African Regroupment party (PRA-Senegal), which is popular among student, youth, and some labor groups. The President has recently subjected this party to pressures which have weakened its organization and capabilities.

A belief also appears to be growing within the regime that Senghor's removal would facilitate a rapprochement with neighboring Mali, whose leaders have been enforcing a costly economic blockade against Senegal since last August, when Senegal abruptly pulled out of its federation with Mali. Senghor's devout Catholicism and his French wife do not strength-

en his position among his overwhelmingly Moslem countrymen.

Last month, in Dia's absence, Senghor permitted the legislature to vote itself a substantial retroactive salary increase. Viewing this as an inadmissible blow to his austerity program, Dia fought hard in party councils for nullification of the assembly's action and even threatened to resign. In the end, he and his followers, including major labor elements, decided not to force a ministerial crisis on the eve of the ceremonies held this week commemorating Senegal's independence.

With the celebrations over, Dia now is expected to resume his fight, pushing vigorously on both the salary question and other issues. These include a cabinet reshuffle over which Dia and Senghor have long been at odds. Dia could thereby precipitate a major political upheaval, including a concerted move to force Senghor's retirement. Any successor regime would almost certainly be anti-French and more inclined toward the radical African bloc.

Senegal has a small, active group of Communists and fellow-travelers drawn from an elite influenced by the French left. These extremists are not now in a position to bid for power independently, but they influence large segments of the urban population. They are included within the leadership of PRA-Senegal and the Communist-line African Independence party, which was banned by the government last July.

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THE EICHMANN TRIAL

Israel views the trial of Adolf Eichmann, to begin in Jerusalem on 11 April, as much more than an act of retribution against one of Jewry's chief persecutors under the Nazis. The dispute over the legality of Eichmann's seizure and trial has already provided Ben-Gurion with an occasion for emphasizing Jewish nationalism and Israel's claim to be the spokesman for world Jewry. The prime minister has also made clear that he expects the trial to establish a link between the Nazis and some Arab rulers, both during and since the war. The principal target almost certainly will be UAR President Nasir [redacted]

[redacted] Ben-Gurion also hopes the trial will "educate" young Israelis and remind the world of the results of extreme anti-Semitism.

There are indications, however, that Israeli anticipation of these propaganda benefits is tempered by uneasiness. Eichmann's West German lawyer apparently intends to reopen the international controversy over Israeli jurisdiction by charging that Eichmann was forcibly abducted from Argentina and not extradited. Evidence may be introduced into the trial about wartime bargaining between Zionists and Eichmann for the release of Jewish prisoners-- in exchange for trucks and other war materiel. This could reflect adversely on certain prominent Israelis who took in the negotiations and revive passions in Israel over allegations that Hungarian Jews were sacrificed in favor of other Jews as part of an abortive deal. Former Prime Minister Moshe Sharett is most frequently mentioned as one who might suffer from such revelations.

Testimony about this incident might also involve the

British Government, which during the war arrested the negotiating intermediary and put pressure on Zionist authorities to reject Eichmann's offer. London is prepared to rebut criticism of its role by citing its strong suspicions of the intermediary as well as the Nazi interests he served in seeking vital war materiel, allegedly for use on Germany's eastern front.

The Soviet bloc undoubtedly views the trial as an opportunity to discredit the West German Government by repeating standard charges of the Nazi background of high-level officials in Bonn. East Germany has sent a notorious West Berlin Communist lawyer to Israel with "evidence" implicating present West German officials as Nazi functionaries and showing the Ulbricht regime as the "good" German state. It probably also will attempt to send delegations of East German victims to Jerusalem to support its case.

West Germany fears that the trial will lead to an increase in anti-German resentment in the Western world, and particularly that it will add to German-American frictions. There is also concern in Bonn that allegations might come out during the trial against leading members of the Bonn government, especially Adenauer's aide Hans Globke, who helped draft the Nuremberg racial laws. Adenauer's party is concerned that these charges might be harmful in the September national election.

The Greek Government is expecting the subject of the moving of 20,000 Jews from northern Greece to extermination camps in Poland, and Globke's implication therein, to be raised at the trial. Eichmann's personal fate, meanwhile, will be determined by his formal prosecution for 15 crimes, 12 of which could draw the death penalty. [redacted]

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CHEN YI IN INDONESIA

Chen Yi succeeded in restoring a measure of Sino-Indonesian cordiality during his well-publicized visit to Djakarta from 28 March to 2 April, but his visit was not a complete success. Indonesian Foreign Minister Subandrio, still smarting from the arrogant treatment he received when he visited Peiping in 1959, omitted the normal welcoming remarks when Chen arrived--an action interpreted by the US Embassy as a calculated snub. In addition, the Indonesian Government restricted Chen's movements to the immediate area of Djakarta and cut his stay by several days. It must also have been apparent to Chen that his visit did not completely dispel Indonesian suspicions of Peiping's motives or restore Sino-Indonesian relations to the cordial state of several years ago.

The visit did, however, give a further boost to these relations, which have been slowly improving since last summer. The Indonesian press was unanimously friendly, apparently at the direction of President Sukarno. In an attempt to convince the Indonesians of China's desire to renew old ties, Chen announced that Peiping was ready to resume its economic aid program, suspended since the summer of 1959 when the dispute over Overseas Chinese in Indonesia erupted. Chinese economic and military aid up to that time had reached \$48,000,000, but Djakarta never officially accepted a \$30,000,000 Chinese credit offered just before the break. An Indonesian industrial mission is to visit China later this month, providing an opportunity to discuss the details of a renewal.

The joint communiqué issued at the end of Chen's visit spelled out again China's support for Indonesia's "recovery of" West New Guinea and Indonesia's support for China's "recovery of" Taiwan and "right" to a seat in the United Nations. A new friendship treaty and a

cultural agreement were also signed.

Chen used his visit to comment on a number of other issues in China's foreign policy, both in his discussion with Indonesian officials and in a free-swinging press interview. He took particular pains to emphasize Communist China's community of interests with the Afro-Asian nations and made an implied dig at the USSR. He was widely quoted in the local press--and did not later deny it--as having suggested that the Western powers, as well as the USSR, had dominated the international scene for a number of years but had proved incapable of solving world problems. He told his hosts that if Communist China and Indonesia were to get together with the Afro-Asian nations, world tensions could be overcome.

In this vein, Chen joined with Subandrio in a call for a second Afro-Asian conference to take up the work of the one held in Bandung, Indonesia, six years ago. Djakarta has favored the convening of another such conference for a number of years, as has Peiping. The idea, however, has not been equally popular in other important capitals, notably New Delhi.

Indonesian officials who talked with Chen were impressed with the "tough" tone he adopted toward the US. Just two weeks before, he had assumed a conciliatory tone in a discussion with [redacted] in Peiping. In that conversation Chen had hinted that Peiping might have some desire for better relations with the US. At a press conference, however, Chen is reported to have said he saw "no hope" for improved relations with the US "if the present hard-boiled US policy is not changed." He emphasized, as he did in the earlier conversation, that the US first must withdraw the Seventh Fleet and other forces from the Taiwan area and stop supporting Chiang Kai-shek.

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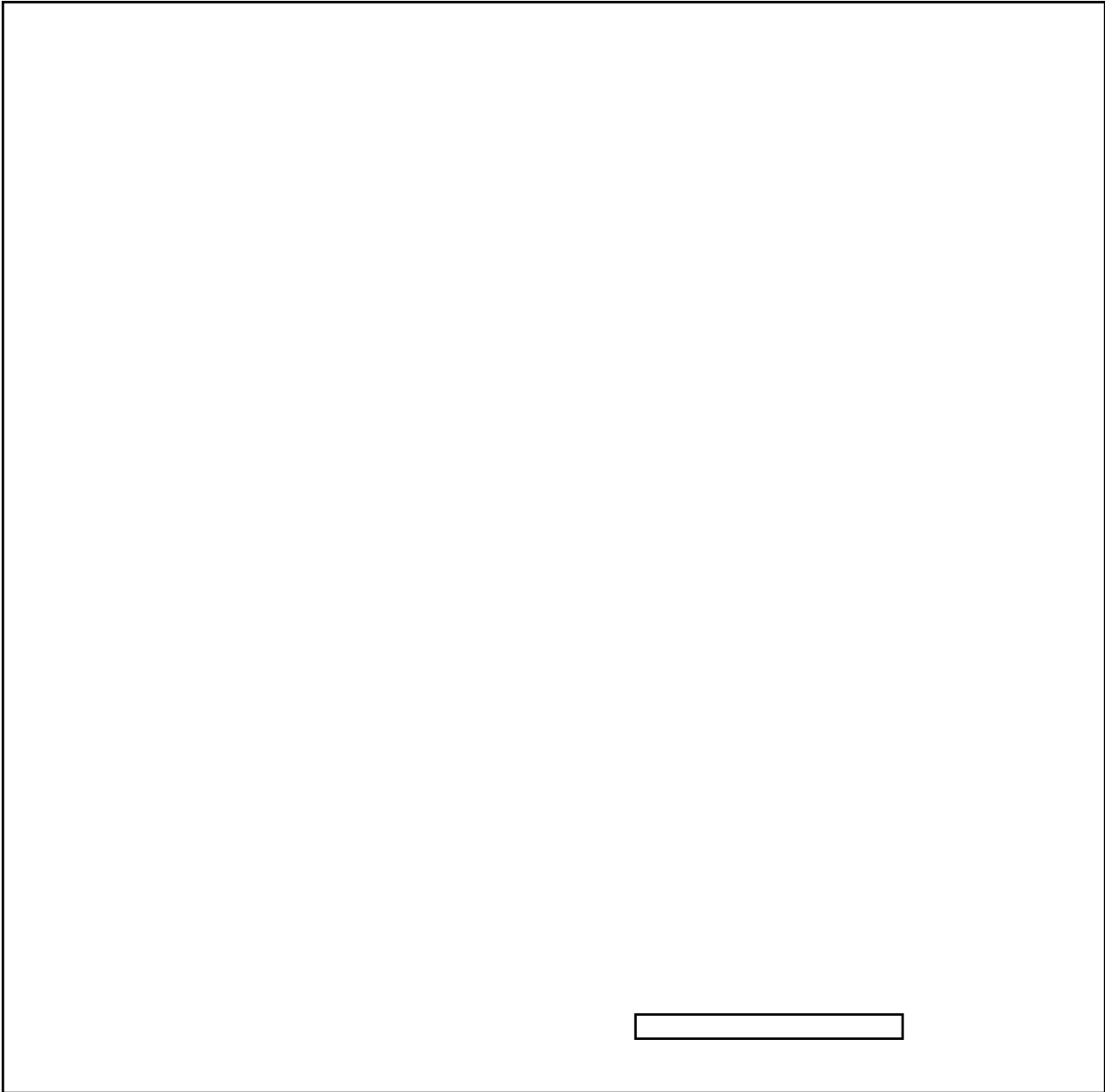
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RECENT GROWTH OF THE INDIAN ARMY

The Indian Army has been gradually increased in size from 410,000 to an estimated 500,000 men as part of New Delhi's efforts to strengthen its defensive capabilities

since the Sino-Indian border dispute flared up in 1959.

A portion of the increase-- about 23,000--is made up of units formerly included in the separate 25X1



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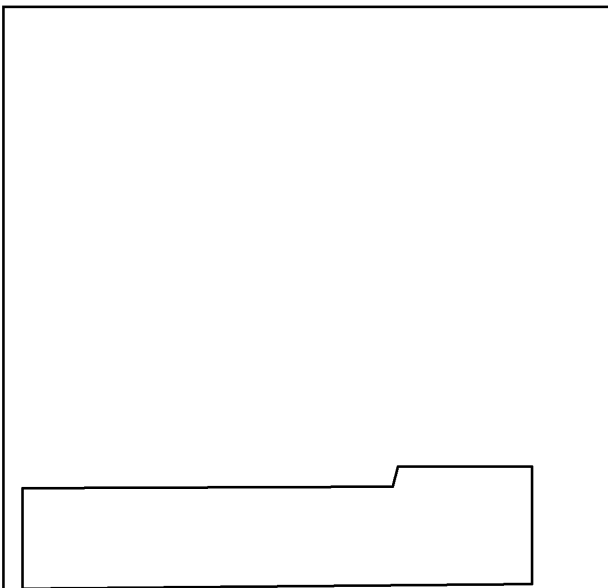
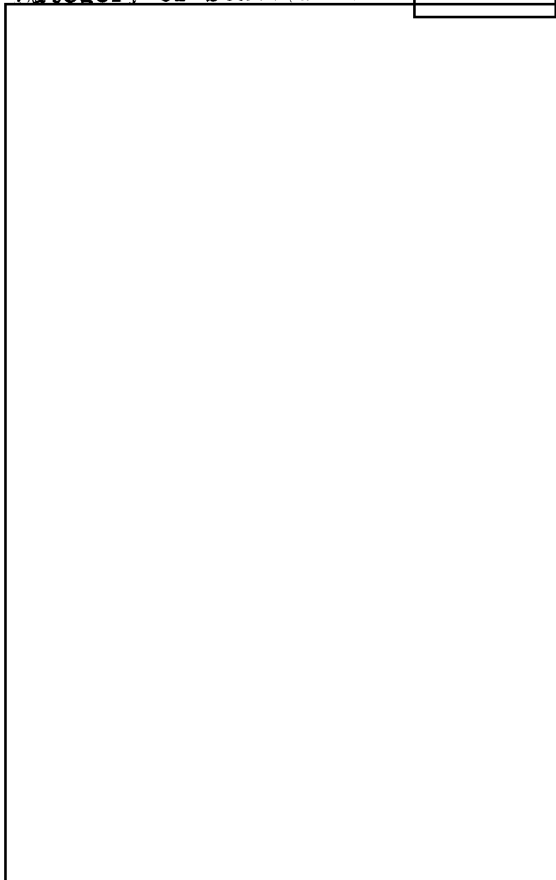
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category of State Forces. [redacted]



The army's increased size has strained its logistic capabilities, its training facilities, its officer corps, and its materiel situation. However, it is only because of this increase that New Delhi can afford to maintain its commitment to the UN Emergency Force in Gaza--about 1,200 troops--while at the same time making nearly 5,500 troops and technicians available to the UN for service in the Congo. [redacted]

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BRITAIN'S BALANCE-OF-PAYMENTS PROBLEMS

Despite the sharp deterioration in Britain's balance of payments on current account last year, the Macmillan government seems likely to continue its present economic policies based on restraining inflationary trends and maintaining international confidence in the pound sterling.

Figures published on 29 March show that last year Britain suffered its largest balance of payments deficit on current account in the four deficit years since the Conservatives came to power in 1951. Exports increased by 6 percent on the basis of higher sales in West Germany, with European Free Trade Association partners, and

Eastern Europe, helping to offset a 10-percent decline in sales to the United States. This modest rise was overshadowed, however, by a 14-percent rise in imports, which officials attribute to an unusually high build-up of inventories.

Despite this deficit, and despite large payments to the International Monetary Fund and on United States and Canadian loans, Britain's gold and dollar reserves increased \$495,600,000 to a total of \$3,231,200,000, primarily because of an influx of capital resulting from the weakness of the dollar in the last six months of last year. Many British economists fear that a recovery in

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the US economy this year will sharply reverse the flow. International awareness of Britain's economic weakness brought sharp speculation against the pound when West Germany and the Netherlands revalued their currencies in early March; this speculation brought a fall of \$173,600,000 in the gold and dollar reserves in that month.

The annual budget to be presented on 17 April will indicate whether the government is sufficiently concerned to de-emphasize monetary and credit restrictions to control domestic inflation, and to undertake a major revision in Britain's tax system to stimulate economic growth. With general elections some three years away,

the Macmillan government's opportunity for invoking unpopular measures is as great as it will ever be, but the new budget seems likely to continue along previous lines--emphasizing defense of the pound, and possibly reinforcing some of last fall's modest measures to stimulate exports.

Last year's 26-percent rise in exports to the Soviet bloc will encourage further efforts in that direction and more pressure for relaxation of COCOM restrictions. Since trade with the Common Market area has also been on the rise, the government will probably see no reason to step up its cautious exploration of some eventual association with the Common Market. [redacted]

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CHANGES IN THE AUSTRIAN GOVERNMENT

Alfons Gorbach, who becomes chancellor of Austria's People's party - Socialist government on 11 April, is replacing half of the eight People's party ministers in an apparent effort to resolve difficulties within the party and improve its prospects in the parliamentary elections due in 1962 or 1963. The party lost several seats in 1959.

which may pose new difficulties for the already strained coalition.

Gorbach was picked by Raab because of his reputation as a



GORBACH

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shrewd, tough negotiator in party affairs and his good relations with the Socialist leaders in the coalition. He has wide-spread connections in business circles and maintains contacts with neo-Nazi groups for purposes of political expediency. He is said not to be an advocate of a representative form of government but to prefer the rule of an intellectual elite undisturbed by interference from the masses.

Ludwig Steiner, the new state secretary in the Foreign Ministry, at 39 is one of the promising new generation of Austrian diplomats. As Raab's private secretary for five years he gained a detailed knowledge of the inner workings of the government and is said to share Raab's views on having good relations with the USSR and following a policy of strict neutrality which will not offend the Soviets. Steiner, a native of South Tirol, is expected to follow a more flexible South Tirolean policy than his predecessor, whose involvement with Austrian extremists caused the Italian Government to bar

him from Italian territory in December 1959.

Karl Scheinzler, 37, replaces Defense Minister Graf, who had offended the neutralists in the government and was unpopular with many officers. Scheinzler has made a reputation as a dynamic and talented organizer in areas where the party was becoming moribund, but is vulnerable to Socialist charges of being an ex-Nazi since he received his education and training in that party and served in a German regiment during the war.

Fifty-year-old Josef Klaus, governor of Salzburg since 1949, will become finance minister, replacing a technician who had held the post since Reinhard Kamitz became president of the Austrian National Bank in June 1960. If Klaus makes good in this difficult position, he may become a strong contender to succeed Gorbach after the next parliamentary elections. The post of state secretary in the Interior Ministry goes to a mediocre but industrious party hack named Otto Kranzlayer, a 50-year-old lawyer from Upper Austria. 25X1

EL SALVADOR

The Salvadoran Government is trying to overcome the resistance of El Salvador's powerful landowning class to the program of moderate social and economic reforms launched last month. These reforms include a forced reduction of rent for low-income housing and a paid day of rest on Sundays for agricultural workers.

Coffee growers, reacting against the Sunday rest law,

have dismissed large numbers of workers in some areas, and the Communists are reported working to exploit the resulting peasant unrest. The government has warned violators of the new laws that the reforms are in line with recommendations agreed to by 18 Latin American governments last year and that the army would be on the peasants' side in the event of any "social explosion."

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Apparently the reforms are still not being implemented fast enough to suit a young officer group. These officers are aware of the demands for social change in the rural areas-- where visiting US officials recently reported wide interest in President Kennedy's Latin American "Alliance for Progress." They insist that some cabinet members are too much under the obstructive influence of wealthy landowners.

The US Embassy has been told that pressure from this group is prompting a cabinet reorganization in which the heads of all ministries except labor and public works are to be replaced in the near future.

The changes would be aimed at more energetic implementation of the reform program rather than any radical shift in the government's political orientation. There is a possibility, however, that the plantation owners and prominent businessmen may resort to bribery and subsidized violence in their efforts to frustrate the reforms.

There are also some reports that the pressures for political change may even lead to reorganization of the five-man civil-

military directorate that came to power on 25 January. If this happens, Col. Anibal Portillo, its senior military member, may emerge as a new strong man.

Col. Portillo said on 21 March that approval of an election law was imminent, but that congressional elections would be postponed beyond earlier estimates to August. Apparently the directorate is delaying in carrying out its pledge of early elections until a party sympathetic to its reform program becomes strong enough to win over the party followings of former Presidents Lemus and Osorio. Once seated, the legislature is to elect a provisional president to finish Lemus' unexpired term ending in September 1962.

Meanwhile, there is danger of friction with neighboring Honduras. Many Salvadorans regard President Villeda Morales as too tolerant of pro-Communist activity and of Salvadoran Communist exiles in particular, and some military and other elements in the directorate are reported to have promised "support" to the Honduran Army in any effort to oust Villeda.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****THE TWO-CHINAS ISSUE**

Although Communist China's opposition to a two-Chinas formula is clear-cut and long-standing, Peiping faces a dilemma in fashioning a policy that will prevent a freezing of the present de facto separation of Taiwan from the mainland. Its military aggressiveness in 1958, by raising the specter of general war, crystallized two-Chinas sentiment throughout the world. On the other hand, the indefinite postponement of a military showdown risks a continued hardening of the situation and invites growing international pressures for a settlement on the basis of the long-established status quo. Thus, from Peiping's point of view, there are cogent reasons for shifting policies from time to time in order to keep the situation in flux.

At the moment Communist shelling of the offshore islands is desultory, and there apparently has been no important augmentation of Communist forces in the area. Although Peiping now and then refers to its "right" to take Taiwan by force if necessary, references to the "Liberate Taiwan" theme have been rare recently. Present policy is described by Peiping as "mainly using peaceful means to enlighten the Taiwan authorities with a sense of national duty." Assuming an attitude of enduring patience, Chinese Communist spokesmen have professed a readiness to wait as long as 30 years for Taiwan's "liberation." "Time is our good ally," says Mao Tse-tung.

Lest the decline in military activity be taken as Communist acquiescence in the existing situation, Peiping constantly emphasizes its opposition to the two-Chinas concept. Premier Chou En-lai and Foreign Minister Chen Yi spelled out the Chinese position in some detail in press interviews last November. Chen told a group of visiting journalists that there would never be any change in Peiping's stand that Taiwan is an inalienable part of China. Chou told

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that a two-Chinas approach would succeed only in "tying things up in knots."

Peiping also has branded as "unacceptable" such proposals as UN trusteeship for or demilitarization of Taiwan or referring the matter to the UN or the International Court of Justice. It has, moreover, refused to separate the problem of the offshore islands from the issue of Taiwan, insisting that all "must be liberated as a whole."

Concern Over Foreign Attitudes

Peiping feels especially menaced by the prospect of American backing for the two-Chinas concept. [redacted] 25X1
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[redacted] Peiping has demonstrated serious concern about the attitudes of other countries as well. It has, for example, demanded that Tokyo stop promoting "two Chinas" as one of the prerequisites for both private trade and government-to-government relations with Japan. Hoping to whet the Japanese appetite for commerce, the Chinese relented slightly in early 1959 and permitted a resumption of limited private trade. In all other respects Peiping has held fast to its conditions. As recently as 2 April, Chen Yi warned the Japanese not to follow a two-Chinas policy. 25X1

In contrast to its attitude toward Japan, Peiping has not demanded that other countries sever relations with Taipei prior to signing government-level trade agreements. It signed pacts with Egypt and Cuba while those countries still maintained relations with Taiwan. When Peiping signed agreements with these governments, however, it felt they were

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moving toward recognition, which, in fact, they were. In the case of Lebanon, Peiping found that it had misjudged Beirut's intentions toward Taiwan. A trade office opened by Peiping in Beirut in 1956 was closed in 1960 because Lebanon had continued to maintain its relations with the Nationalists.

International Organizations

Peiping is willing to enter into bilateral negotiations with the Chinese Nationalists which could be represented as parleys between opposing sides in a civil conflict and would not prejudice the Communist position on the two-Chinas issue. The regime, however, is adamant in its refusal to participate in a forum--such as the UN--which accepts the Nationalists as representatives of a sovereign nation. It would be a "total miscalculation," said Foreign Minister Chen Yi, to think that Peiping would exchange Taiwan for a seat in the UN.

Chou En-lai also made clear Peiping's categorical rejection of any possible compromise on the issue. [redacted]

[redacted] Chou affirmed that if the "so-called Taiwan clique is to appear in the UN under whatever form, in whatever name, we will definitely refuse to sit together with them."

On this point, Peiping seems to have grown progressively more adamant over the years. In November 1950, Communist China accepted an invitation to participate in the UN debates on Korea. In 1955, however, it refused another UN invitation to participate in a Security Council debate over the Taiwan Strait crisis. The Chinese would almost certainly also refuse any such invitation today.

The Communist estimate seems to be that obduracy--even if it delays Peiping's entry in the UN for years--will pay off eventually in the expulsion of the Nationalists, and that

this blow to Taipei's international standing will gravely impair the Nationalists' morale and make them more vulnerable to "unification" overtures from Peiping.

In recent months Peiping may have come to feel that the issue of UN membership can be directly linked not merely to the ouster of Taipei, but also to the elimination of all international guarantees to the Chinese Nationalists. Although there has as yet been no confirmation from official sources in Peiping, Foreign Minister Chen Yi has been quoted in Hungary's party newspaper as saying that it will not be possible for Communist China to take a seat in the UN until the United States ends its "occupation" of Taiwan and withdraws its armed forces from the Taiwan area.

This new condition may have been advanced in order to discourage further UN efforts to work out a two-Chinas compromise. It is quite possible, however, that the reported stiffening of Peiping's terms does not represent a final position. Chou En-lai hinted at a compromise acceptable to Peiping when he told [redacted]

[redacted] the US must formally agree to withdraw its forces, but that the specific steps and timing could be matters for "subsequent discussion."

The Chinese Communist refusal to sit down alongside Chiang's representatives extends to all international bodies. The regime withdrew, for example, from the International Law Association, the International Astronomical Union, and other organizations that accepted Nationalist representatives. Objecting to Taipei's participation in Olympic games, Peiping has refused to permit a runner to carry the Olympic torch through China en route to the 1964 games in Tokyo.

The Soviet Position

Although the Soviet Union has always supported Communist

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China's opposition to a two-Chinas solution, it does not refuse to take part in international activities which also involve Nationalist participation. The USSR's walkout from the Security Council in 1950 over the question of Nationalist China's presence resulted in a Soviet diplomatic defeat on the North Korean problem. Since then, the USSR has found it the better part of wisdom to bear with the existing situation.

While the Chinese Communists must recognize that it is essential for the Soviet Union to continue to participate in international bodies where Nationalist China is also represented, they probably would prefer stronger support from Moscow on this question.

For example, Soviet propaganda on the occasion of the Olympic Committee's decision to allow Taiwan to participate in the 1960 games at Rome was typical of the Soviet treatment usually accorded the issue. Peiping blasted that decision in broadcasts to Taiwan and elsewhere, but Moscow merely reported it in a matter of fact way, taking account of neither the issue nor Peiping's displeasure.

The Nationalist Position

Taipei shares Communist China's distaste for a two-Chinas solution, but for tactical reasons has compromised its position at least twice in the recent past. In October 1958, Chiang agreed with the United States to renounce the use of force as a means of retaking the mainland. In 1960 he reluctantly allowed a team to participate in the Rome Olympics under the designation "Republic of China (Taiwan)," despite the implication that the athletes represented only part of China.

Currently, Taipei is faced with a dilemma in Senegal, where the government has recognized both the Chinese Nationalists and the Chinese Communists. In

Mali, Taipei withdrew its embassy as soon as the government recognized Peiping. In the case of Senegal, some elements in the Nationalist government are opposed to withdrawing, hoping that Taipei's continued presence there will forestall the establishment of a Chinese Communist diplomatic mission. If such a mission is established, however, the Nationalists apparently will sever diplomatic relations with Senegal.

The Nationalist position is in part based on apprehension that two-Chinas proposals have given encouragement to Taiwanese separatism and would, if implemented, lead to eventual domination of the government by Taiwanese. The native Taiwanese, who comprise 86 percent of the island's population, are by and large in sympathy with some variant of a two-Chinas solution. Kao Yu-shu, a leader of the Taiwanese opposition to Chiang Kai-shek, recently told the American Embassy that virtually all of the Taiwanese favor either an independent Taiwan or some sort of neutralized status.

The Chinese Communists have persistently attempted to exploit the repugnance to Taipei of a two-Chinas solution, hoping to promote friction between the Nationalists and their American allies. In the stream of Chinese Communist propaganda beamed to Taiwan

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Peiping charges that the United States is scheming to make its "occupation" of Taiwan permanent by promoting international acceptance of Taiwan's status as an independent political entity--perhaps under Taiwanese leadership. The Communist press in Hong Kong was recently advised to play up Chiang Kai-shek's opposition to a permanent separation of Taiwan from the mainland and thus point up the community of interests between Peiping and Taipei on the issue.

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