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CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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State Department review completed

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WEEKLY REVIEWEAST-WEST RELATIONS

Soviet press treatment of the NATO meeting has represented the approval of diplomatic contacts with the USSR on Berlin as a step forward. At the same time, Moscow has taken the line that even this move does not hold promise for an early Berlin settlement. Western divergencies have received the usual emphasis; the US and UK are described as favoring negotiations, and Paris and Bonn as opposed.

The idea of an international authority for the Berlin autobahn has been linked with the concept of "narrow negotiations" limited to the Berlin question alone and both are criticized as designed to permit the West to perpetuate West Berlin's occupation status. Moscow has also alleged that Bonn is trying to impose restrictions on the Western position and thereby is threatening the success of negotiations. Moscow is also stressing "aggressive plans" of NATO, with particular emphasis on the proposals by Bonn's Defense Minister Strauss to make NATO an independent nuclear power.

Moscow has taken the general line that the decision to renew exploratory talks on Berlin represents the second stage of the process of working toward a settlement, the first phase of which was the Rusk-Gromyko talks. A public lecturer in Moscow on 17 December took this view and said that the American and British ambassadors in Moscow would soon start negotiations with the Soviet Foreign Ministry. The lecturer was noncommittal on the prospect for the talks,

but emphasized that a settlement of key European problems must precede an East-West agreement on all other important questions such as nuclear testing and disarmament. He said that once this problem was resolved the "struggle" with the West would take on the less dangerous form of economic competition.

In Bonn, Soviet Ambassador Smirnov adopted a somewhat similar attitude in public remarks at a meeting of journalists. He predicted an East-West conference "some time next year" and stated that the diplomatic "probes" by Ambassador Thompson should quickly turn into negotiations, because "probes can't go on much longer."

Berlin

Despite the moderately optimistic expressions of belief that events are moving toward a negotiated settlement, Moscow and the East Germans have continued to stress that the two paramount conditions for an agreement are termination of the occupation status in West Berlin and elimination of political relations between Bonn and West Berlin. Ambassador Smirnov emphasized that all rights derived from the war must be ended and replaced by juridical rights under a new agreement.

The issue of Bonn-Berlin ties was also highlighted by an unusual Soviet protest to Lebanon on 12 December in a note which claimed that inclusion of West Berlin in a technical cooperation agreement

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between Bonn and Beirut was illegal and insisted that the clause be eliminated. The Soviets have made similar protests regarding multilateral agreements to which West Germany has been a party, but this is the first time a bilateral agreement has been involved.

In a long letter to Prime Minister Macmillan, Khrushchev has repeated his previous arguments and proposals on Berlin, presumably to place the Soviet terms on the record before the Bermuda meeting between Macmillan and President Kennedy. Ambassador Smirnov, in a recent meeting with Chancellor Adenauer, struck an "amiable note" and stated that the USSR wanted a negotiated and not a unilateral settlement on Berlin. Smirnov claimed that the settlement need not alter the situation in Berlin, provided the occupation status was replaced.

On 12 December, Soviet Embassy officials in Bonn met with a Social Democratic journalist and expounded the Soviet position in standard terms, but said that Moscow would not insist on a "symbolic" presence of Soviet troops in West Berlin as part of the guarantees for a free city. The Soviet officials also said that financial and economic ties between Bonn and West Berlin could be maintained, but no juridical or political affiliations could be tolerated. They claimed that if Moscow's proposals for an agreement were accepted, nothing would stand in the way of removing the wall in Berlin.

Communist denunciations of the movement of US troops along the Berlin autobahn were climaxed by an East German protest note on 16 December to the US,

which seemed intended to lay the groundwork for retaliation against commercial traffic. The note repeated previous allegations concerning the illegality of transporting "NATO troops" to and from Berlin and warned that such troop movements "impede normal civilian traffic on the autobahn" and cause "acute danger to persons and goods." In addition, the note claimed that in view of the "exceptional stress and damage to the autobahn" which requires "considerable expenditure," East Germany reserved the "right to claim adequate compensation." This line may foreshadow new and prohibitory tolls on commercial traffic.

Nuclear Test Ban

The USSR has stepped up its campaign to increase non-bloc, particularly neutralist, opposition to US testing, especially in the atmosphere, and to increase support for the Soviet Union's "new approach" calling for a test ban without international controls. Deputy Foreign Minister Zorin read a new warning on nuclear testing at the 13 December UN session, following unanimous UN approval of the Soviet-US agreement on the participants in new disarmament talks. He warned that US underground testing during the current Geneva test-ban talks and "US plans" for a resumption of atmospheric testing will compel the USSR to carry out such nuclear weapons tests "as it finds necessary for strengthening its defense potential." The statement did not mention breaking off the test-ban talks and affirmed that the Soviet Government "will continue to exert all efforts" to secure a test-ban agreement.

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In another apparent effort to attract support for a moratorium on testing, Ambassador Menshikov in a television interview on 17 December also warned that if US tests are not stopped at once, "we will start our tests again, and not only ordinary bombs but perhaps super bombs also." Menshikov warned that it is "quite possible that the USSR will detonate a 100-megaton bomb in any new test series. A Soviet UN delegate recently told an Italian delegate that US underground testing would not cause the USSR to test in the atmosphere, but that if the US tests in the atmosphere, the USSR will have to "review its position."

After the 19 December session of the test-ban talks, in Geneva, Soviet delegate Tsarapkin called the US and UK delegation heads aside and rejected the informal Western proposal for a recess from 21 December to 16 January. He said the Soviet Government wanted the work of the conference to proceed "so as to secure agreement as rapidly as possible" on the Soviet program. The US delegate considers the Soviet rejection of the recess as mainly pointed toward forcing the Western delegates to go on record as "interrupting" the work of the conference.

Disarmament

Soviet UN delegates have implied that the middle of March would be an acceptable date for the new 18-nation disarmament committee to begin its work. Soviet spokesmen have stated that New York would be their preferred site if Zorin is appointed their negotiator, but

have noted that the question of location is "still open." A Soviet delegate told an Italian delegate that Khrushchev has not yet decided to appoint Zorin, and that it would take two or three more weeks for the decision to be made.

In the same conversation the Soviet delegate asserted that the USSR is ready to compromise on the matter of controls but urged that the "world balance of power" be borne in mind. He stated that while there are now two major powers, a third, China, is "on the horizon." He cautioned that any control arrangements should take China into consideration and pointed out that what the USSR now is willing to accept in the way of controls "might be unacceptable to China."

During an informal luncheon with members of the American UN delegation, Soviet delegates "admitted" that the US has the "propaganda advantage" in the matter of control. They claimed, however, that the Soviets do not believe the United States' public stand is its actual position, because they are convinced that neither the US nor the USSR could accept very extensive controls in the early stages unless "substantial disarmament measures" were being implemented. The delegates claimed the US plan lacks such measures in the first stage and said they had refrained from criticizing it for this publicly only in order not to spoil the atmosphere at a time when they knew "both sides" wanted to reach agreement.

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CONGO

The meeting at Kitona between Adoula and Tshombé has resulted in an eight-point agreement in very general terms in which the Katangan leader appears to have accepted the principle of greater Leopoldville authority over Katanga and to have promised to facilitate implementation of the various UN resolutions. Tshombé, under duress, has previously made similar generalized agreements; he may now feel he has won time for maneuver.

The agreement suggests that Tshombé has accepted the basic constitutional charter for the Congo drawn up with the Belgians. This has never been worked out in detail, because of differences over the degree of centralization or local autonomy, and it appears that a new constitution is to be hammered out with the participation of Katangan representatives.

The agreement states broadly that Tshombé recognizes Kasavubu as the head of state, the "indivisible unity" of the Congo, and the "authority" over the whole country of the Leopoldville government. The most specific part of the agreement appears to be that Katangan legislators should attend the national parliament, and that the Katangan gendarmerie is to come under the control of Leopoldville. Preliminary reports give no information as to the disposition of the Katanga mining proceeds.

It is unlikely that Tshombé has capitulated or abandoned his belief that a loose federation is the only viable solution for the Congo. His "agreement" appears to stem from UN military pressures, which he feels for the moment it is not wise to oppose. Tshombé's forces, although battered, are largely intact, and his government remains in place. He almost certainly believes that the Kitona agreement will make resumption of UN military force against him difficult. Tshombé, moreover, is not wholly a free agent and is under considerable

pressure from his extremist ministers--which may force him to renege once he is back in Elisabethville.

Adoula appears to have modified his demands for a settlement with Tshombé, and has probably left himself open to charges from extremists in his own ranks of "softness" toward Katanga. Before the Kitona talks, he was insistent that there be no halt to UN military operations in Katanga, that Tshombé must request a cease-fire, that he must help with the ouster of the white mercenaries, and that he and his regime must resign.

The strains within the Adoula government now may be heightened. Even before the Kitona agreement, the embassy reported that these strains were so great that the present coalition seemed unlikely to last much longer, no matter what the outcome of the Katanga problem. Adoula was then under fire for not having taken decisive enough action against Katanga and for giving only passive support to the attainment of a unified, centralized Congo state.

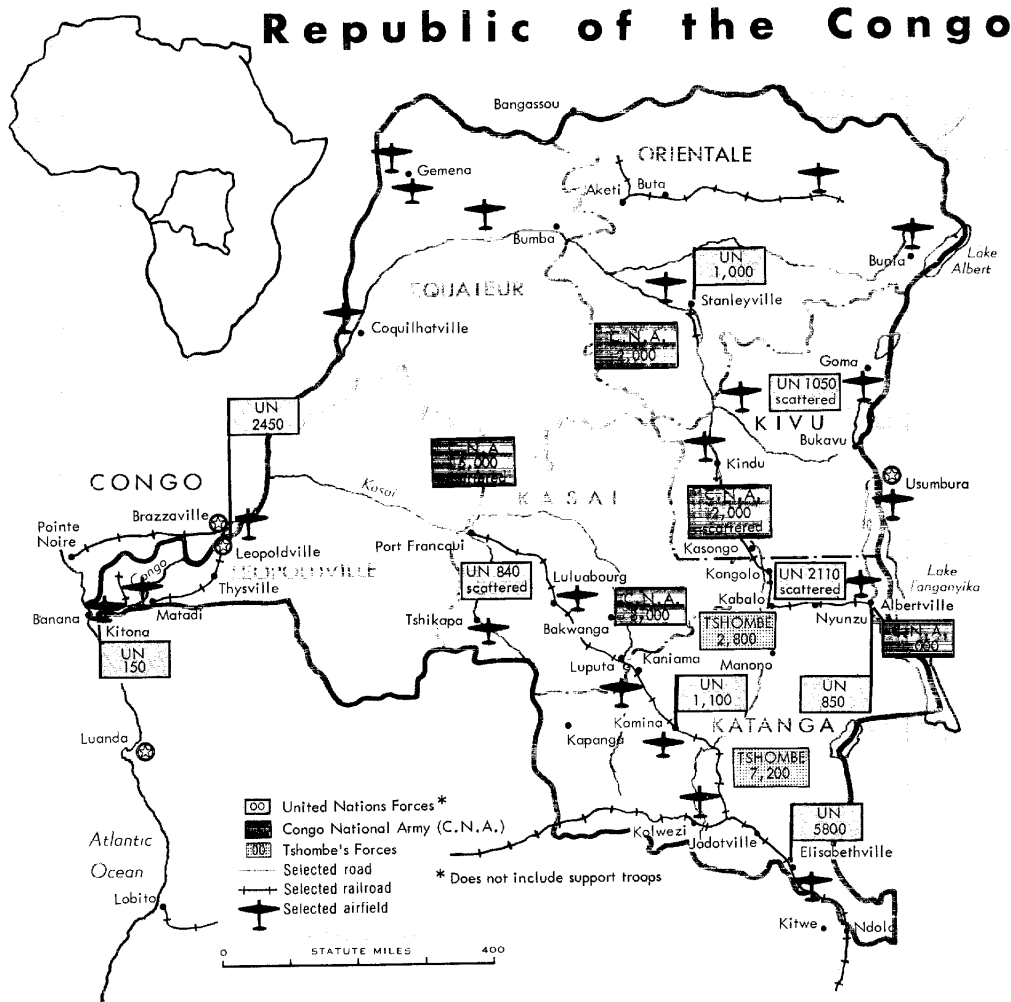
Adoula told Ambassador Gullion that his relations with Christophe Gbenye, minister of interior and leader of the National Congo Movement party, who serves as a potential rallying point for leftist elements in the government, had "greatly deteriorated" during the past two weeks. He said also that Cleophas Kamitatu, president of the Leopoldville provincial government, who has posed as a spokesman for the "nationalists," was "up to no good."

Gbenye tried unsuccessfully this week to fire pro-Adoula security chief Nendaka. Gbenye was reportedly also exhorting other extremists to join him in a "showdown" with the Adoula moderates. Gbenye was trying to go to Stanleyville, but was prevented by Adoula. A move to Stanleyville by Gbenye would not necessarily mean he intended to join Gizenga, but it would probably

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torpedo the tenuous unity between the ex-Lumumbists and the moderates in the Leopoldville government.

The Leopoldville extremists are not supporting Gizenga personally, but are increasingly expressing views similar to his. Members of this group, however, may feel that Adoula's usefulness is ending, and that the time is fast approaching to dump him and grab for themselves the rewards a Katanga victory might bring.

Gizenga will probably call the Kitona agreement a fraud and a "sellout to the imperialists." Gizenga for the time being has been prevented from overthrow-

ing the pro-Adoula provincial government of Kivu by the retention of UN forces in the province at Leopoldville's request.

However, Leopoldville's claims to have established firm control in northern Katanga, arising from the establishment of Jason Sendwe's Baluba tribal state, are probably overoptimistic.

Leopoldville's efforts to establish a northern Katanga state responsive to it and to back it up with a battalion of General Mobutu's forces may spell the beginning of a struggle there between Leopoldville and Stanleyville.

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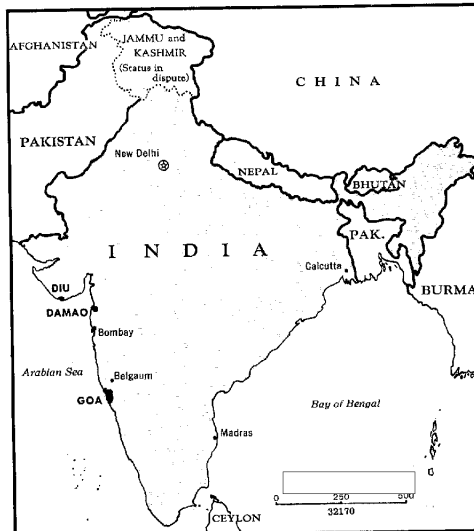
The collapse of Portuguese resistance in Goa on 20 December ended India's quick military venture, which had capped 14 years of unsuccessful prodding aimed at eliminating the last European enclaves in the sub-continent. The decision to resort to armed force--made by Nehru only at the last minute--was a reluctant reversal of long-standing Indian policy. It followed a series of minor incidents near Goa which were exaggerated in the context of India's current election campaign but which led to a massive Indian military buildup on the border.

Despite Western pressures to avoid violence, continued Portuguese intransigence evidently led New Delhi to conclude that it could obtain its objective only by military action. Krishna Menon, fighting for his political life and his Defense Ministry portfolio, appears to have played a key role in fanning the crisis and influencing Nehru's ultimate decision. The enclaves now are under the control of an Indian military governor, and steps are under way to provide for a quick turnover to civilian authority.

Portugal's appeal to the UN Security Council, its only meaningful recourse, was frustrated by the USSR's veto of a resolution calling on India to cease fire and withdraw its forces; Ceylon, the UAR, and

Liberia voted with the USSR. The failure of the UN to support Portugal has generated a bitter reaction in Lisbon, and Portugal is rumored to be considering withdrawing from the organization when the foreign minister returns from New York. Lisbon has apparently concluded that further UN action would not be beneficial.

Ambassador Elbrick sees increasing signs that the Goa crisis has led Lisbon to "take a new look" at its foreign policy. There have been a number of reports indicating that the regime feels that Lisbon's allies could have done more to deter Nehru, and the reassessment derived in part from this factor. Foreign Minister Nogueira informed Elbrick on 15 December of the "possibility of a fundamental change in foreign policy";

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Portuguese Minister of State Corrêira de Oliveira publicly announced on 19 December that some foreign policy "revisions might have to be made" when "full data on the Goan situation is received"; and this same topic was discussed at a 19 December cabinet meeting.

As to the direction this "revision" is to take, an 18 December press report from Lisbon cites "mounting demands for a sharp swing to 'neutralism'." Such an alteration would have far-reaching repercussions on Portugal's relations with the UN and NATO and be almost certain to affect the US-Portuguese Azores Base Agreement.

The immediate effect of the incident on the domestic political scene in Portugal has been to reunite all except small extremist factions in support of Premier Salazar in a show of national unity. In view of the developing internal dissatisfaction with the regime, however, the longer range prospects for serious domestic opposition have been heightened by the Goa episode, particularly among many who now support the regime.

International reaction to the Indian action has followed generally predictable lines. Asian-African support has been strong. The Iraqi press has

been quick to apply the Indian example to the Kuwait situation, and the Indonesians, with their claims to West New Guinea, were among New Delhi's strongest supporters.

Soviet President Brezhnev, on a two-week state visit to India, also strongly endorsed India's action, and the Soviet press has alleged that Goa had a SEATO role and was defended by NATO-supplied armaments. Peiping has fully endorsed India's invasion of Goa in the context of Chinese claims to Taiwan and opposition to "US imperialism." The more obvious counterpart to Goa--Macao--was not mentioned in Peiping's 19 December statement, and no hint was given of any Chinese intention to attack that Portuguese territory, which Peiping claims and against which it could bring the same overwhelming force that India applied against Goa.

The Chinese probably are embarrassed by the contrast between their propaganda on anti-colonialism and New Delhi's direct action and apparently want to disparage the Indian action even while officially endorsing it. An authoritative Chinese Communist newspaper in Hong Kong ridiculed Nehru on 19 December for choosing the "world's tiniest imperialist country" as his target.

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WEST NEW GUINEA

President Sukarno's much-advertised "final command" on the "liberation" of West New Guinea (West Irian), delivered in Jogjakarta on 19 December, in effect stated that Indonesia intends to take military action against the Dutch-administered territory unless it can obtain a satisfactory political settlement from the Netherlands. However, Sukarno's address, as expected, set no deadline. It called on the Indonesian people to "be prepared for a general mobilization" at a time to be determined by the President, to frustrate the organization of a "puppet state" in New Guinea, and to hoist the Indonesian flag there.

endorsed by Indonesia--will provide further encouragement to Sukarno.

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Lending urgency to Sukarno's campaign to acquire the area are Dutch plans to prepare the area for self-government and recent symbolic evidences of self-rule which include the adoption of a new name for the area--West Papua--along with a flag and a national anthem.

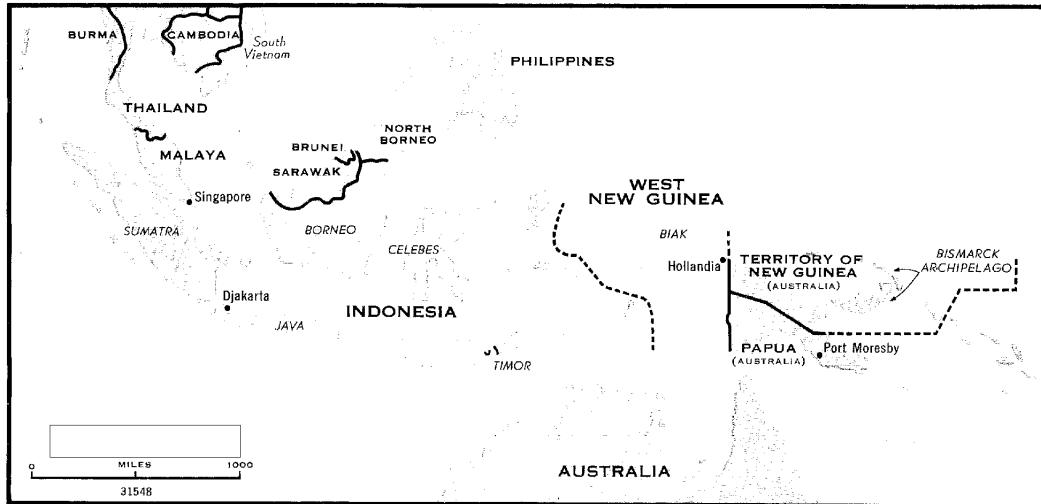
Evidence is ample that Indonesia is preparing for action.

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there is general agreement among qualified observers that if Sukarno ordered a move against New Guinea he would be obeyed. India's invasion of Goa--a move heartily

Indonesia has called for bilateral talks with the Dutch but maintains that its minimum demand is administrative authority over New Guinea, whether or not under the UN; Indonesia will not accept the Dutch insistence on self-determination for the Papuan natives. The Dutch are willing to negotiate but only in the presence of a third party and on the basis of Papuan self-determination.

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LAOS

General Phoumi, in a recent conversation with an American official, predicted that the meeting of the three Laotian princes scheduled to begin at Vientiane on 27 December will end in an impasse. He said Boun Oum will continue to press the demands presented during the preparatory meeting at the Plaine des Jarres: (1) that four seats in the coalition cabinet be given to each of four groups--Boun Oum's right wing, Souvanna's "neutralists" at Xieng Khouang, the "neutralists" outside Xieng Khouang, and Souphannouvong's Pathet Lao; and (2) that members of the Boun Oum faction hold the key posts of defense and interior.

Phoumi is convinced that Souphannouvong will reject these terms, following which Phoumi plans to have King Savang summon the three princes and establish a provisional government headed by Savang himself. Phoumi envisions a six-month rule by the King, with the princes as deputy premiers. He said the King would "definitely" assume the premiership, but it is doubtful that Savang would accept such a role in the face of opposition from the Pathet Lao, who would regard the maneuver as another Phoumi stratagem to prevent the formation of a coalition under Souvanna. Phoumi's machinations provide further indication of his basic unwillingness to accept a Souvanna-led coalition government.

Laotian Army elements have begun limited action in the Muong Sai area of northeastern Laos, possibly to ease pressure on Nam Tha. In the south, the

government forces have engaged in limited clearing sweeps. Pro-Communist forces in the Plaine des Jarres area are continuing to press counter-guerrilla action against Meo units.

The North Vietnamese are apparently expanding their activity to improve the road network in rebel-held Laos. Hanoi has also agreed to provide additional financial aid to the Souvanna Phouma regime. A 1962 aid agreement signed in Hanoi on 15 December allotted \$2,800,000 for technical training, communications lines surveys and repairs, consumer goods, and various construction projects.

Bloc overland supply and airlift operations to the Laotian rebels continue active. "Heavy" traffic on trails leading north from Tchepone, the Soviet airlift terminal in southern Laos, was noted on 12 December. An 80-truck convoy was observed recently on the road from the North Vietnamese border to Xieng Khouang.

The Geneva conference has adjourned until 3 January following a plenary session on 18 December at which an appeal from the co-chairmen was sent to the three Laotian factions urging them to form a coalition government as soon as possible. The session announced agreement on a declaration of Laotian neutrality and on a protocol on international safeguards. Soviet delegate Pushkin remarked that the conference had "basically concluded its work." He said that the accords were a "model of international agreement" and exemplified the principles of peaceful coexistence.

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Pushkin failed, however, in his attempts to secure formal conference approval of all issues on which tentative agreement has been reached. During the past two weeks he had tried to secure Western agreement to such approval in order to give an impression that the work of the conference was over and to deflect attention from the still unsettled "integration" question.

In addition to this problem of the reintegration of the Laotian armed forces and the disbanding of the Pathet Lao forces, the conference still has not resolved two other

major questions. These are the issue of SEATO protection for Laos, which both Soviet and Chinese propagandists have attempted to depict as the only remaining unsettled problem, and a declaration of neutrality by a unified Laotian government.

On 20 December, Pushkin gave the US representative private assurances that the SEATO issue could be settled along the lines of the latest Western formula. The West has proposed that SEATO council representatives take official note of a Laotian declaration of neutrality withdrawing Laos from the protection of any military alliances.

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VIETNAM

The high-level Chinese military delegation which arrived in North Vietnam in mid-December is emphasizing Peiping's support of Hanoi in the struggle for South Vietnam. Delegation head Marshal Yeh Chien-ying said on 19 December that "the Chinese absolutely cannot ignore" recently increased US assistance to the Diem government. A similar statement was made by the Chinese Communist Foreign Ministry on 29 November.

The delegation has been meeting with Hanoi's political and military leaders and touring military establishments. On several occasions during the visit, Peiping has reported speeches alluding to Chinese volunteers in the Korean war. Under present circumstances, however, there is little indication that Peiping would offer--or that Hanoi would welcome--assistance in the form of direct intervention. Any additional assistance at this time probably will take the form of logistic support.

Viet Cong efforts in South Vietnam continue along lines of widespread guerrilla activity and propaganda against the Diem regime. While less dramatic than the massed attacks this fall, this type of offensive is easier for the Communists to support logistically, and has proved successful in eroding government authority in the countryside. The enemy's sneak attacks, ambushes, sabotage, and terrorism tend to immobilize government forces on static defense or disperse them on generally fruitless security sweeps, leaving the Viet Cong greater freedom to initiate large-scale attacks at times and places of its own choosing.

The sustained high rate of Viet Cong activity is pointed up by Saigon's report that government casualties for the week ending 15 December exceeded those of the enemy--402 and 359 respectively. On the basis of mounting casualties in the past several months, South Vietnam's casualties for the entire year are projected to reach about 13,000, nearly double last year's total;

Viet Cong losses are expected to be about 18,000, a 50-percent rise over 1960.

The Viet Cong forces now are estimated to number at least 20,000 full-time combatants, supported by many times that number of part-time fighters, agents, and active sympathizers. South Vietnamese forces presently consist of about 175,000 regulars--including 10,000 rangers specially trained for counter-guerrilla operations--and some 115,000 paramilitary elements less well trained and equipped. The extended effort being made by the government to cope with the security problem is indicated by the temporary deployment to the field of at least one company of the presidential guard brigade to take over the duties of garrison forces committed to current security sweeps.

In Saigon, joint South Vietnamese - US planning for a better coordinated and more effective approach to the security problem is proceeding smoothly, and allegations of American lack of realism and highhandedness have vanished from the local press. However, in conferences with the chiefs of two delta provinces south of Saigon last week, Diem's brother, Ngo Dinh Nhu--architect of the short-lived official press campaign against the US--is reported to have told the officials that the Vietnamese Government would have to plan the defense of the country without reference to the Americans, who, he said, could not be trusted over the long pull. Nhu reiterated his favorite theme, the need for a "social revolution" to overcome Vietnam's three principal enemies--underdevelopment, Communism, and "divisive forces." He placed the United States in the last category.

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BLOC RELATIONS WITH MOROCCO

Morocco sent a military delegation to the USSR on 11 December to discuss Moscow's recently renewed offer to provide military assistance. The delegation has specific instructions only to "look and listen" and has no authority to make commitments on behalf of the King.

Moscow's original offer of arms, made in late 1960, was solicited by then Crown Prince Hassan. A Moroccan delegation went to Moscow to investigate it, but the only result was a gift of 14 MIG jet aircraft, delivered early in 1961. No formal agreement was reported, and four subsequent arms deliveries to Morocco apparently were destined for the Algerian rebels.

The USSR now has indicated willingness to provide additional aircraft, a wide range of land armaments, and small naval craft. Morocco now is ruled by Hassan, who may be more inclined than his late father to accept an attractive offer of arms aid as proof that he is living up to the policy of nonalignment.

To date, the bloc has had only limited success in developing economic relations with Morocco. Trade agreements have been signed and commerce has increased in recent years, but it still has not exceeded 5 percent of Morocco's total trade. During the first half of 1961, trade with the bloc--particularly Communist China and the USSR--reached about \$19,700,000 compared with \$16,500,000 in the comparable 1960 period.

The trade balance was in Morocco's favor, the heavy deficit in trade with China

being more than offset by a surplus with the USSR. The favorable balance with the USSR prompted Morocco in September to suspend imports of refined petroleum products from the franc zone in order to fulfill its quota of imports from the USSR. Unhappy about the large deficit in trade with China, Morocco is seeking suitable products to export to China and may again sell strategic items such as cobalt.

An economic, scientific, and technical cooperation agreement was concluded with Czechoslovakia in May--Morocco's first with any bloc country--paving the way for the extension of Czech credits. The Moroccan minister of economy and finance has indicated that Czechoslovakia has agreed to provide machinery for a sugar refinery, a textile factory, and a mineral processing plant "under very advantageous conditions both as to repayment and as to interest."

The bloc has so far provided little technical assistance to Morocco; the only bloc economic technicians now in Morocco are four from Czechoslovakia who are preparing surveys for the sugar refinery and four from the USSR who are preparing plans for the construction of the Tangier shipyard. Previous information that construction of this shipyard would be undertaken by the USSR was corrected by the president of the Tangier Chamber of Commerce, who stated that the Soviet role thus far is limited to providing the technicians to prepare a survey. [redacted] (Prepared by ORR)

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YUGOSLAVIA AND THE SOVIET BLOC

The appearance of open disagreement within the international Communist movement in recent weeks has not improved the Yugoslav party's relations with bloc parties. Since the Soviet 22nd party congress, both the Bulgarian and Czechoslovak party first secretaries have specifically ruled out resumption of relations with the Yugoslav League of Communists. Recent plenums of East European party central committees have reaffirmed that "Yugoslav revisionism" is "the main danger" to international Communism. Even diatribes against the Albanian "dogmatists" have contained unfavorable references to the Yugoslav party. The real danger of Albania's "dogmatism," it is suggested, is that it leads to isolation from the movement and thereby makes possible a drift into "revisionism."

Nevertheless, Yugoslavia's relations with the Soviet bloc governments have been improving for more than a year, and most bloc leaders have been calling for increased cooperation with the Yugoslav state on the basis of mutual economic interests and similar foreign policies. Trade protocols between Yugoslavia and Soviet bloc countries for 1962 are being negotiated with no public evidence of any serious problems of a political nature. Soviet Foreign Minister Gromyko is expected to pay an official visit to Belgrade, although no date has been announced.

The bloc attitude falls short of granting Belgrade any special privileges, however. Yugoslav bids for observer status in the Council for Mutual Economic Assistance (CEMA) have gone unheeded, and the bloc has

not recently offered developmental loans.

Yugoslavia is deliberately holding its commerce with the bloc to less than a third of its total foreign trade. It has piled up substantial credit balances with several bloc states, and little progress is being made toward liquidating these balances. It may have to discount bloc currencies in order to encourage imports from the Communist countries in debt to Yugoslavia.

Generally isolated from the international Communist movement and preoccupied with their relations with nonaligned states, the Yugoslavs have remained relatively aloof from recent developments in the Communist world. Yugoslav efforts to influence bloc developments have been largely confined to suggestions that Moscow and other Communist capitals are moving steadily toward Belgrade's long-standing internal and foreign policies, and that leaders in the invective against Tito, such as the Czechoslovak and French party bosses, are "Stalinists."

Despite its attitude of relative aloofness, Belgrade has welcomed the trend of events in the Communist movement, particularly those in the Italian Communist party (PCI). Relations between the Yugoslav and Italian parties have been unusually cordial for some months. The Yugoslavs appear to hope that the bloc parties will follow the lead of the Italian Communists, who are working for greater independence for individual parties within the Communist world and for closer ties with the Yugoslav party.

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THE POLITICAL TREND IN POLAND

The Polish party, at its 21-23 November central committee plenum, apparently decided that it should consider more liberal internal policies in addition to supporting Khrushchev's renewal of de-Stalinization. Very little, if any, of the debate at the plenum was devoted to the accepted merits of de-Stalinization; apparently there developed instead a discussion of the lengths to which liberalization should be pursued. Although some proposals have been proffered, the party has not defined the scope of the new program.

The December issue of the party central committee's theoretical journal, Nowe Drogi, said that it is "not sufficient" to avoid the more embarrassing errors of the Stalin era, but that Stalin's "entire system" must be condemned and liquidated and the "whole truth" stated. There is opposition to these ideas, however, within the central committee. During the November plenum, for instance, Julian Tokarski, a "reconstructed" Stalinist, omitted any reference to liberalization in his speech and, in contrast to the rest of the speakers, abstained from attacking Stalin. It is probable that Tokarski's remarks reflected the stand of other hard-liners who have been brought into the Gomulka regime.

Speakers at the plenum who sought to suggest a framework for future activity included Oskar Lange, a former revisionist, who stressed that Khrushchev's policies demanded many changes in methods of operation and called for the abolition

of conservative practices and traditionalism. A party historian said it was time to document Stalin's liquidation of the pre-war Polish Communist party and--with a view to making a fresh start--to study and condemn on a world-wide basis all such "tragic chapters" of the Communist movement. On 10 December, a candidate central committee member said over the state radio that radical changes must be made in Poland's political, economic, cultural, and moral life. Implying that rehabilitation of the unjustly condemned is not enough, he called for a vigorous program calculated to restore confidence and to install vigor into the Polish nation.

Similar proposals, implying the necessity for greater personal liberties, have been advanced even more forcibly by intellectuals. Their statements have been reported by party and non-party papers, periodicals, and even the official radio. In a thinly veiled allegorical dissertation on freedom of scientific expression published on 26 October, for example, the president of the Polish Academy of Sciences maintained that freedom of speech should "be a matter of course, while its limitation should be supported by special justification."

The growing intensity of the public debate on freedom apparently has alarmed some party officials who, probably in an effort to restrict the discussion to manageable proportions, reportedly caused the resignation of the chief editor and first deputy editor of Nowa Kultura,

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the central committee cultural weekly. This paper has published a number of articles on the subject of freedom, apparently with the approval of the central committee's censor. The deposed chief editor is a close personal friend of Gomulka's and he still holds a number of responsible positions, including membership in the central committee.

Demands for liberalization in Poland will probably continue. Party First Secretary Gomulka gave no indication to the central committee of just how far liberalization can go and urged caution. Already, insistence on a positive program to

replace eventually the negative process of de-Stalinization appears to have gone further in Poland than in any other bloc country. Rather than attempt to suppress these growing demands, the Polish regime apparently intends to capitalize on the widespread desire for liberalization in hopes of counteracting the political apathy among party members and the public. The intensity of the longing for freedom as expressed in statements of Polish party members and intellectuals during the past few weeks, however, indicates the complexity of the problems the regime will face.

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THE POLISH ECONOMIC PLAN FOR 1962

The Polish economic plan for 1962, currently under discussion in the Sejm, reflects an optimistic short-term outlook on the part of the Gomulka regime. A continued rapid expansion of the national product is anticipated, although at a somewhat slower rate than that achieved in 1961. Foreign trade is expected to be a major problem area; plans for a substantial reduction next year in the trade deficit will entail a slowdown in the growth of domestic expenditures, especially for personal consumption. Over the long term, the regime is also concerned with its inability thus far to speed up the completion of industrial projects.

Polish economic growth in 1961 was the most rapid since

1957, but official claims of a 10.3-percent increase in industrial output and an 8.3-percent increase in agricultural production are probably somewhat inflated. For 1962 an 8.3-percent increase in industrial production is projected as a minimum target, but a rise in excess of 10 percent is actually anticipated. However, continued delays in investment deliveries may force a slowdown in the rate of growth of industry during 1962.

In view of the unusually high growth of agricultural production in 1961--due in large measure to favorable weather--the 1.7-percent increase planned for agriculture in 1962 probably is a maximum target. The outlook for fodder supplies appears to be somewhat improved in

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comparison with a year ago, especially with the recent completion of a US credit agreement, and most of the 1962 growth in agriculture is expected to be in livestock production. However, even with increased availability of agricultural machinery, fertilizer, and other production inputs, crop yields may decline from 1961 totals if weather is no better than average.

Although investment outlays in 1961 exceeded the planned amount, few projects were completed on schedule. Of the 37 priority industrial projects scheduled for completion during the first half of 1961, only 19 were completed by 1 July and an additional 10 by 1 October. For 1962, plans call for a 9.5-percent increase in gross capital investment, approximately the rate of growth obtained in 1961 in real terms. Emphasis in 1962 is to be on improved controls and incentives for speeding up investments.

Personal consumption in 1962 is to increase by 4 percent, compared with 6.7 percent in 1961. The average growth for the two years is the rate scheduled under the Five-Year Plan; if this rate is maintained, there should be a noticeable improvement in living conditions by 1965. In 1962 the regime will attempt to impose tighter controls over wage expenditures and intends to continue introducing technically based work norms in industry. Little labor trouble is anticipated, however, because average wages are expected to rise slightly and the regime will probably continue the extreme caution displayed in its 1961 program of raising work norms.

Budgeted defense expenditures for 1962 are to be 13 percent above the level of 1961 and are to total 19.5 billion zlotys (\$500-800 million). This is probably a reflection of the current world situation, especially the Berlin crisis.

Foreign trade has for some time been a major problem of the Polish economy. The foreign trade deficit in 1961 rose by nearly 30 percent over 1960--well above the planned level. However, part of the 1961 import surplus resulted from the stockpiling of grains and industrial raw materials during the fourth quarter of 1961 for use in 1962.

Plans for 1962 call for a 40-percent reduction in the foreign trade deficit (to approximately \$140 million) by means of an increase of 9 percent in exports but only 3 percent in imports--even though US credit deliveries somewhat offset the necessity for reducing imports. In any case, the projected limitation on imports will be difficult in a rapidly expanding economy.

In 1961 difficulties were encountered in expanding machinery exports, but this was more than compensated for by above-plan sales of agricultural products. In 1962, the emphasis is once again to be on increased machinery exports, and only a limited growth of agricultural exports is anticipated. Despite improved economic incentives for high-quality export production, it will continue to be difficult to expand machinery exports as rapidly as planned.

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SOUTH KOREA

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South Korea's ruling military leaders are preparing to maintain their influence beyond mid-1963, when General Pak Chong-hui, chairman of the ruling Supreme Council for National Reconstruction, has pledged to return the government to civilian authority. Pak and his associates appear to favor a form of "guided democracy" to keep unacceptable politicians from gaining power. The junta has sent observers to Turkey to determine whether its revolutionary experience is adaptable to South Korea's needs.

For the general elections accompanying the re-establishment of civilian government, the junta probably intends to control the nomination of candidates and avoid blatant fraud and coercion of voters, tactics that led to the ouster of President Rhee. Security forces have been ordered to undertake an intensive investigation of all former civilian politicians who might be candidates.

There also is some indication that factional differences in the military regime may cause individual junta members to seek alliances with leading civilian political figures. In this event the military factions might find themselves vying for the support of the same civilian political group. Such maneuvering could aggravate tensions within the junta leadership and impede an orderly transfer to civilian administration.

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DOMINICAN REPUBLIC

The agreement announced on 17 December among the Balaguer regime, the military, and the principal opposition party--the National Civic Union (UCN)--has improved the prospects for a peaceful transition to democratic government in the Dominican Republic. The agreement provides for the creation of a seven-man "Council of State" to replace the executive and legislative branches until an elected government is inaugurated early in 1963. The Dominican Congress has started work on the constitutional revisions necessary to dissolve the old regime and to legalize the investiture of the new; this task is not expected to be completed before 27 December.

Under the agreement President Balaguer will serve temporarily as head of the council. He has promised to resign by 27 February, but not before the Organization of American States (OAS) lifts the diplomatic and economic sanctions imposed on the country last year and the country's normal quota in the US sugar market is restored.

The prospective vice president of the council, who is in line to succeed Balaguer as council head and as commander in chief of the armed forces, is Rafael Bonelly, a 56-year-old lawyer and member of the UCN who in the past served as the secretary of justice and labor and in other cabinet posts under Trujillo. Bonelly appears, however, to have the confidence of both military and opposition leaders--elements who have been deeply suspicious of each other in the negotiations thus far.

He also appears to be friendly to the United States. The remainder of the proposed council includes a Roman Catholic prelate, some moderate business and professional leaders, and the two surviving leaders of the Trujillo assassination group who took the lead in the negotiations which produced the agreement for an interim government.

Various difficulties still threaten the implementation of the agreement. Although the two smaller opposition groups--the Dominican Revolutionary and the "14th of June" parties--have given indications of support or acquiescence, complications are already arising because they refuse to collaborate with the UCN in forming the interim government. They presumably hope to capitalize, in next year's election, on any decline in popularity suffered by the interim government. The UCN gave only guarded approval in its public acceptance of the agreement. Moreover, in an indicative move later countermanded by the party leadership, its representative in Washington urged the OAS on 19 December to maintain sanctions until after Balaguer resigns.

Although the armed forces have publicly endorsed the agreement, they remain deeply concerned over their future status and almost surely would subsequently veto the plan if convinced that opposition leaders were planning retaliatory measures against officers for acts they committed under orders during the dictatorship.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****SALVADORAN ELECTIONS**

The governing directorate's National Coalition party (PCN) won an overwhelming victory in El Salvador's elections on 17 December for a constituent assembly after campaigning on its progress in socio-economic reforms, in which it has goals similar to those of the Alliance for Progress. The elections were the most free and honest in many years. Even the opposition Union of Democratic parties (UPD) could find little fault with the electoral guarantees; its chief complaint was against the use of official vehicles to transport voters to the polls.

The elections are the first step in the scheduled restoration of constitutional government, which was broken with the ouster of an elected government in October 1960. The constituent assembly is to name an interim president to serve until next September; it will function during the period as the national legislature. Colonel Julio Rivera, PCN head, seems assured of becoming president for a regular term in elections next spring.

The clear PCN victory strengthens the political mandate of the directorate to push its reform program. Two new laws, setting up a rural credit program and an irrigation and drainage authority with enforcement powers, were signed on 14 December but evidently not publicized until after the elections.

Conservative elements headed by members of the powerful "fourteen families" remain bitterly opposed to the reform program and may try to enlist support from disgruntled military officers who resent the power of the officer group prominent in the directorate. During the election campaign, newspaper ads attacking the government and its reforms appealed to "authentic Salvadorans" in the armed forces who "cannot agree with present events in their country."

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AUSTRIA

Austria's application for association with the Common Market (EEC)--where its major markets lie--was filed on 15 December after many months of

governmental hesitation and considerable pressure from the USSR against such a move. Evidently with Soviet objections in mind, Vienna stated that it

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was applying for an "economic arrangement" rather than association.

The most recent Soviet "warning" was a moderately worded aide-memoire on 12 December reiterating Moscow's position that the Common Market is the economic arm of NATO and that Austria's participation would be regarded as a violation of its neutrality and of the State Treaty provisions against political or economic union with Germany. Foreign Minister Kreisky told US Ambassador Matthews on 7 December that he expected Soviet counter-measures following the actual application. Vienna has feared that the Soviet-Austrian trade talks which began on 1 December would be used to apply pressure, since approximately 15 percent of Austrian trade is with the Soviet bloc. No such pressure has yet been reported, however, beyond a strong statement made by the chief Soviet negotiator at the initial session reiterating the language of the 12 December vote.

Chancellor Gorbach, of the People's party, is reported to have been reluctant to stand up to Soviet pressures on the Common Market issue and even wished to postpone application for association. Gorbach, when he assumed leadership of the People's party - Socialist coalition in April 1961, was expected

to be more firmly pro-Western than his predecessor, Julius Raab, and his present attitude coincides with speculation that he may retire after the next national elections. These are not mandatory until the spring of 1963, but are being talked of for the autumn of 1962.

Finance Minister Josef Klaus, who from 1949 to 1961 was provincial governor of Salzburg, is being considered in People's party circles as a likely candidate for chancellor. Klaus increased his prestige in the party by his stand during last October's budget crisis when he scored a victory over some of the Socialist members of the coalition on the issue of monetary stability versus wage demands.

Dissension within the government on this issue, as well as regarding Austria's tactics on the long-lived South Tirol dispute with Italy, has subsided in recent weeks. Spokesmen of both parties have reflected qualified satisfaction with the UN debate in November on the South Tirol, which resulted in a resolution recommending that Italy and Austria try further bilateral talks to resolve the issue. At present, Vienna does not anticipate reopening talks, pending the report of a commission of inquiry appointed by Italian Interior Minister Scelba.

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SPECIAL ARTICLES

USSR BUDGET AND PLAN

The USSR's 1962 budget, read to the Supreme Soviet on 6 December by Finance Minister Garbuzov, contains only small increases over 1961 in total revenues and expenditures, but the stated appropriation for the military forces has increased to 13.41 billion rubles, 45 percent greater than the corresponding 1961 appropriation and about 8 percent above the revised total announced by Khrushchev last July. In previous budgets, the explicitly stated military budget, however, was calculated to represent only about 60 percent of total Soviet military spending.

It is estimated from non-budgetary information that there will be increases in 1962 outlays for strategic attack, air defense, research and development, and, as a result of the recent nuclear test series, the manufacture of new nuclear weapons. In addition, military personnel levels will average higher than in 1961. These programs alone could more than account for the 8 percent by which the 1962 budget exceeds the revised 1961 expenditure. It is extremely unlikely, however, that the sum of these measures would have accounted for an increase of 45 percent over the original 1961 appropriation.

The increase in the original 1961 appropriation is considered to have been primarily a propaganda device achieved by transferring into the explicit military account military or quasi-military expenditures from parts of the budget not previously admitted to contain defense expenditures. Khrushchev's statement in July was made in a propagandistic

context, closely following a US increase of \$3.5 billion for defense--an amount equivalent at the official exchange rate to the figure announced by Khrushchev.

SOVIET BUDGET REVENUES
(PLANNED)
BILLIONS OF NEW RUBLES

	1961	1962
Social Insurance Receipts	(3.8)	(4.1)
State Loans	(.9)	(.9)
Taxes on Enterprises and Organizations	(1.8)	(1.8)
Taxes on the Population	5.5	5.8
Profit Deduction	20.5	23.2
Turnover Tax	32.5	32.4
Other	(14.0)	(13.7)
TOTAL	79.0	81.9

() estimated

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SOVIET BUDGET EXPENDITURES
(PLANNED)
BILLIONS OF NEW RUBLES

	1961	1962
Explicit Defense	9.25/12.40*	13.41
Administration	1.1	1.07
Social-Cultural Measures (Includes Science)	27.1	28.7
Financing the National Economy		
Industry	16.1	14.8
Agricultural	4.2	(5.2)
Transportation and Communications	(2.6)	2.5
Residual	(11.0)	(9.9)
Total	33.9	32.4
General Expenditure Residual	6.155	4.7
TOTAL	77.5	80.3

*Including the additional allocation referred to by Khrushchev on 8 July. According to calculations based on recent Soviet data, the actual 1961 explicit defense expenditure is 11.86 billion rubles.
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The Soviet budget is on a cash basis--that is, expenditures must be made during the year covered by the budget. It would therefore have been impossible for the Soviets usefully to double the rate of expenditures for the last five months of 1961, as implied by Khrushchev. There was no evidence of modification on a major scale of any significant procurement program capable of absorbing such funds. In fact, total budgetary expenditures made in 1961 were reported to be slightly below the original plan, an unlikely occurrence if the military expenses had actually increased as Khrushchev announced.

Much of the increase in military outlays for 1962--regardless of whether it is primarily a bookkeeping transaction or a redirection of national resources--seems to have come from the budgetary categories believed to contain hidden expenditures supporting the military establishment as this term is used in the West. For example, the defense increase is offset in part by reduction of 1.4 billion rubles in the general expenditure residual, and by a reduction of 1.1 billion rubles in the residual of the category "Financing the National Economy." In addition, there is a reduction of 1.3 billion rubles in the planned expenditures for industry. As a result of accounting changes implied by these data, a much larger part of the total military expenditure now appears to be contained in the explicit military category.

It is believed unlikely, therefore, that the Soviet

government, having recently made such a major change, would revert to the pre-July 1961 budgetary account system, at least while the Berlin problem remains.

The appropriation to science, which contains funds for research and development, was not affected and continued its recent rapid growth. The 1961 outlay was about 15 percent above that for 1960, and in 1962 it is planned to increase another 12 percent.

The 1962 Plan

The economic plan for 1962--presented at the same session of the Supreme Soviet by V. N. Novikov, chief of the State Planning Committee (Gosplan)--continues to place major emphasis on a high rate of growth for heavy industry at the expense of the consumer. Beyond the optimism embodied in next year's goals, however, there emerge many signs that the rapid expansion is being accompanied by planning and supply difficulties.

Industrial Production

The growth rate for industrial production as a whole is to be 8.1 percent; a rate of "more than 9 percent" was claimed for 1961, and an 8.6-percent average annual increase is called for in the Seven-Year Plan (1959-65). Production of heavy industry (which Soviet planners refer to as "Group A") is to grow 8.8 percent over 1961, while output of the light and food industry ("Group B") is to increase 6.6 percent. Only last spring Khrushchev had promised greater priority for "Group B,"

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****USSR: SELECTED INDUSTRIAL PRODUCTION**

	1961		1962 Plan	Percentage Increase 1962 over 1961	Annual Average Increase Needed to Meet Revised Seven-Year Plan Goals (1962-65)
	Plan	Actual*			
Pig Iron (million metric tons)	51.2	51.1	56	9.3	9.1
Steel (million metric tons)	71.3	71	76.9	7.8	7.8
Oil (million metric tons)	164	166	183+	11.5	9.6
Gas (billion cubic meters)	59.7	59.5	71.2	19.6	26
Electricity (billion kilowatt-hours)	327	327	366	11.9	12.3
Cement (million metric tons)	51	50.7	57+	11+	13.5
Mineral Fertilizer (million metric tons)	15.3	15.3	17.2	12	23

*Soviet estimates

Percentage Increases	1960		1961		1962 Plan
	Plan	Actual	Plan	Actual	
Gross Industrial Production	8.1	10	8.8	9+	8.1
Group A (heavy industry)	8.8	10.9	9.5	NA	8.8
Group B (light industry)	6.4	7+	6.9	NA	6.6
Labor Productivity (Industry)	5.8	5.3	6.0	NA	5.6
State Centralized Investment	11	11.5	12.6	9.7	8.1

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but the traditional low priority for consumer goods--reaffirmed in the 20-year party program (1961-1980) presented in October at the 22nd party congress--will prevail in 1962. The investment increase planned next year for light industry would raise its share of total investment from about 6 percent in 1961 to about 7 percent.

Possibly to offset the implications of these goals for the Soviet consumer, the 1962 plan refers to a "forced growth" of 17 percent in output of heavy industrial goods for the light and food industry--an increase claimed to be in re-

sponse to the call in the 22nd party congress resolution for bringing the rates of growth of light and heavy industry closer together. However, it will mean very little for the consumer and once again postpones any hope of significant improvements in consumer welfare. The 17-percent increase will probably suffice only to provide machinery and equipment in support of the supplemental increase in light industrial investment announced by Khrushchev more than a year and a half ago.

Production increases scheduled for basic industries such as steel and petroleum are

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generally consistent with the revised Seven-Year Plan goals announced by Khrushchev at the October party congress. However, the cement target for 1962 appears to be low and it is unlikely that the revised 1965 goal will be met. Problems in the gas program--shortages of consuming equipment, pipe, and storage facilities--have hampered production, which as presently programmed is not adequate to meet the 1965 goal.

Investment

Capital investment is scheduled to increase 8.1 percent in 1962. This is slightly lower than the average annual rate of 8.5 percent needed for the Seven-Year Plan and the average of approximately 10 percent needed for the 20-Year Plan. Because the Seven-Year Plan rate was exceeded during the period 1959-61, however, the 1965 goals are not yet threatened.

In 1961, capital investment grew by 10 percent, more than required to meet the annual increase called for by the Seven-Year Plan but below the 12.6-percent rise scheduled in the annual plan and below the achievements of the past several years. This underfulfillment appears to have been caused principally by inadequacies in the supply of machinery and equipment to the construction sites.

Problems in the investment and construction programs have commanded the increasing attention of the Soviet leadership over the past year and a

USSR: CAPITAL INVESTMENTS IN SELECTED INDUSTRIES**(PERCENTAGE INCREASES)**

	1960		1961		1962 Plan
	Plan	Actual	Plan	Actual	
Ferrous Metallurgy	26	12	31	*	10.6
Chemicals	30	33	42	*	17.7
Machine Building	30	23	40		13.5 25X1

* Shortfalls in 1961 have been announced but no data.

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half. In May 1960, difficulties in the construction program were discussed at length in Khrushchev's speech to the Supreme Soviet. In June 1961, problems of industrial construction, particularly in the chemical industry, had apparently become serious enough in at least three major areas of the Soviet Union--Kuybyshev, Saratov, and Kemerovo oblasts--to require the direct intervention of A. N. Kosygin, one of Moscow's top economic troubleshooters. The growth rates in investment revealed in Novikov's speech indicate that the problems have not been solved.

These problems are varied and complex but spring basically from the fact that the regime is trying to do too much with too few resources. Investment is spread over too many projects, with the result that completions lag and funds are tied up over long periods while no new productive capacity is created. Problems of supply can cause delays while at the same time large amounts of equipment are held in storage

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pending basic construction. Overlapping authority at the center causes problems of implementation as well as of planning.

At the 22nd party congress, Khrushchev directed attention once again to these problems and "suggested" that no new construction projects be started "for perhaps a year." Kosygin also proposed some new measures to increase the efficiency of the program: withholding of payment for equipment until after installation, and a transition from budgetary financing of capital investment to long-term credits, with the implication that interest will be charged to stimulate rapid completions. Since the congress, a decree has been enacted which lowers the investment levels requiring approval from the center and provides that all construction projects which have been started be reviewed monthly by the USSR Council of Ministers.

The lowered rates of increase in capital investment planned for 1962 both for total and for major industrial categories reflect an attempt to make plans conform to reality and perhaps to concentrate on the completion of the most important projects. A possible contributing factor may be the diversion of resources to military requirements, but there is no direct evidence of this. Garbuzov's speech reiterated the old saws about concentration of resources on important projects and improvement of technical supply but cast little new light on how these are to be accomplished.

Manpower

The reported 2.5-million-man increase in the state labor force planned for 1962 is much higher than scheduled in the original Seven-Year Plan. How-

ever, the 1965 state labor force goal of 12 million has reportedly been revised upward to 22 million. The industrial labor productivity plan for 1962--calling for an increase of 5.6 percent--puts that schedule back in line with Seven-Year requirements. The plan was not fulfilled in 1960 and at midyear 1961 was considerably under target, apparently largely as a result of the large shift of state workers to a shorter workweek, but also because of industries' difficulties in achieving expected improvements in technology.

Agriculture

Despite Khrushchev's continuing promises to improve Soviet food supplies significantly, the scheduled state investment for 1962, even if achieved, is far too small to do the job and probably represents only a small net addition in view of the large number of collective farms which have been converted to state farms and now require state financing. Lower rates of increase for the chemical industry and agricultural machinery industry, as well as failure to plan an increase in chemical fertilizers in any way sufficient to meet the Seven-Year Plan commitment, suggest that agriculture's priority has been raised very little if any for 1962.

Housing

The urban housing goal of one billion square feet for 1962 is slightly lower than the 1961 goal, but significantly higher than the actual volume anticipated for 1961. The achievement of the 1962 goal is subject to question because of difficulties in the supply of construction materials. (Prepared by ORR; concurred in by OSI)

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UNREST IN EAST GERMANY

Prior to the sealing off of West Berlin on 13 August, the East German population was in ferment and the party apparatus was confused as a result of mounting international tension and numerous indications that the regime intended to revert to harsher economic and political policies. These conditions were reflected in the steadily mounting flow of refugees.

There were more than 33,000 escapes in July and 47,000 in August, bringing the total for the first eight months of 1961 to more than 184,000--compared with just under 200,000 in the whole of 1960 and less than 144,000 in 1959. Escapees included hundreds of doctors, engineers, and intellectuals--men whose skills were badly needed if economic plans were to be fulfilled. Many of the staunchest anti-regime elements were among the refugees.

13 August

The ruthless efficiency of the operation to seal off West Berlin on 13 August and subsequent measures to prevent escapes to the West dismayed and cowed the East German population. A mood of depression and helplessness appears to have set in as the population observed deportations from border areas and forced recruiting of youths for the armed and security services. Some intellectuals, hitherto pro-Western, were reported to have turned against the West in disappointment and frustration. Youths, however, continued to reflect a spirit of open defiance.

In contrast, party leaders were openly jubilant. East

German propaganda concentrated on the forthcoming signature of a separate Soviet - East German peace treaty which would remove the last restrictions on the regime's sovereignty. Local party officials in contact with the populace, however, betrayed signs of worry and uncertainty in the face of deep-seated public hatred. Some privately--or in some cases publicly--condemned the move against Berlin. Rank-and-file party members frequently expressed the same anti-regime sentiments as the populace.

Increased Pressures

In September and October, war fears, sporadic food shortages, and the austerity campaign set off recurrent waves of panic-buying throughout East Germany. Moves to reduce dependence on West German imports made matters worse; for example, the Ministry of Health announced in October that no medications were to be imported from West Germany, nor were gift parcels to be permitted. A "production drive" designed to step up output without equivalent wage increases was announced. Additional police pressures and a ban--enforced by party toughs--on listening to Western radio or television were put into effect.

In response, the public attitude became more defiant. Industrial workers openly criticized and quietly resisted the production drive. Medical men condemned the interruption of imports. Students resorted to anti-regime agitation and minor demonstrations, and their teachers obviously shared their critical attitude.

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Effects of Soviet Congress

In this troubled atmosphere, Khrushchev announced at the Soviet 22nd party congress that he would waive his 31 December deadline for signing a German peace treaty if the Western powers showed willingness to negotiate. Middle- and low-level party and state officials, unprepared for such a move, were thrown into confusion. Many East Germans gloated at the discomfiture of the regime. Party and non-party elements interpreted the statement as a personal setback for party boss Ulbricht.

Khrushchev's renewal of his de-Stalinization campaign brought into the open public hatred and contempt of many for Walter Ulbricht and aroused hopes that he had been repudiated by the Kremlin. Some teachers, for example, removed Ulbricht's portrait from their schools. Again, party officials had not been alerted to such a development and could not respond to pointed questions which came from party members and the public alike concerning Ulbricht's weakened position.

At first, the regime sought to cope with this ferment by reprinting all important Soviet speeches on the subject and avoiding direct comment. When this only sparked public delight and party irritation, the regime finally in mid-November issued an authoritative statement based on the position that Ulbricht had been identified with Khrushchev since the Soviet 20th party congress.

Party Plenum

Ulbricht's move to reassert his authority at the central committee meeting from 23 to 26

November did much to silence public comment and reassure party officials that, for the moment at least, there would be no sweeping changes in the party leadership. The East German leaders made a great show of "collective leadership." At the same time, they issued the harshest criticism in many months of Karl Schirdewan, former leading moderate opponent to Ulbricht who was eliminated from the party leadership in February 1958. They also made bitter attacks on dogmatism and sectarianism.

Reports by Ulbricht and other leaders to the central committee underline the regime's concern with the problem of public discontent and the failure of the party and state apparatus to master it. Ulbricht complained that workers did not understand the need for a change in work norms--implicitly admitting the setback of the production drive. He also disclosed the existence of peasant passive resistance, which has cut food production, and confirmed the regime's failure to win over youth, admitting that "antagonisms...obsolete ideologies, and hostile influences are still effective."

Other speeches at the plenum give further details concerning difficulties within the universities. Kurt Hager, central committee secretary in charge of scientific affairs, noted that "some older scientists" at Halle University had criticized the regime's measures since 13 August, while Paul Froehlich, who is party leader in Leipzig District, complained that a student cabaret had been operating in the journalism department of Karl Marx University. Called "the council of mockers," the

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cabaret presented programs which lampooned the party and its leadership.

Certain references in the report by Karl Mewis, who was installed as chairman of the State Planning Commission in July, suggest that the old tensions between hard-line economic planners from the party and economic realists continue within the Planning Commission. Mewis told the central committee, "Many staff members...have not been trained to solve the tasks in accordance with the principle of unity between politics and economy; they still understand their work as a task of administrative decisions or adhere to the principles of obsolete liberalism." He added that some problems had not been worked out correctly, as "not all comrades" agreed with the party line calling for drastic steps to make the regime free of dependence on West Germany and to intensify links between the USSR and East Germany. Hard-line planners carried the day at the plenum.

Hard-line Program

Party leaders are not attempting to placate popular discontent by concessions, as they did last year, but instead announced at the plenum a program of increased austerity, stepped-up pressures on workers without compensating pay increases, ever-mounting Communist indoctrination of all classes designed to complete "socialist building" by 1965, unbending imposition of "socialist realism" on intellectuals and artists, and harsh police measures to curb such "enemies" as Protestant churchmen and youths. They also declared that regime officials would be held strictly accountable for carrying out this program.

There have since been drastic shakeups in the state apparatus in three districts and in one major industrial center. In Magdeburg the city party leader was dismissed for tolerating "liberal" tendencies. In Potsdam District, party leaders in several major industrial centers near Berlin were purged for failing to defend the regime's policy on Berlin.

Although the regime is making no concessions to improve the standard of living, it is seeking to maintain the present level. Restrictions on coal, butter, and potatoes have been enforced for some time. Shortages of food and raw materials may force the regime to institute more severe forms of rationing during the winter.

Present Situation

Ulbricht appears to have reasserted his authority over the party, and it now presents its customary appearance of monolithic unity. There is no evidence of an organized opposition in the top leadership similar to the Schirdewan group of 1955-58. There are many indications, however, of weakness and uncertainty in the second level of leadership.

The state apparatus appears to be under control and the defense and security forces generally reliable despite the recent induction of many unwilling recruits. The strengthening of the Central Commission for State Control suggests greater activity on the part of state--as opposed to party--officials. Further development of such state agencies--a characteristic of the Stalinist period--might promote party-state tension.

Unrest among industrial workers is a matter of great

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concern. Ulbricht has long handled relations with workers with kid gloves and has been notably reluctant to announce any general increase in work norms such as sparked the East German uprising of 17 June 1953. His statements at the plenum, however, suggest that significant increases in work norms are being considered. Ulbricht, however, may feel that the provisions of the new labor code adopted in July and a later decree imposing strict controls on workers will enable him to cope with resulting discontent.

Farmers also present a major problem. Since the all-out collectivization drive of 1960--followed by a mass exodus of farmers to the West--the regime has sought to consolidate its position by various organizational changes and is seeking to tighten controls over peasants.

Farmers to some extent hold the whip hand. Farm labor is short and agricultural production is urgently needed. Regime officials are aware that attempts to tighten controls too drastically would increase discontent. Nevertheless, Ulbricht has directed that "liberalist" attitudes are to be avoided, although tact is to be used in dealing with farmers.

Ferment among youths, including children of party members, presents a more difficult problem which officials are

attempting to control by stepped-up indoctrination, punitive measures, and transfer of reliable members of the Communist Youth Organization to critical spots. Similar measures are being used against teachers.

Tensions between intellectual and professional circles and the regime probably will continue. However, the regime's need for trained men--especially engineers--to enable it to carry out its economic policies has acted as a deterrent upon officials. Many of the leaders of the intelligentsia had escaped by 13 August, and admissions at the plenum show that those who remained are critical of the regime's measures. In the past, Ulbricht has made piecemeal political concessions to such elements; his present program affords no such relief.

No centrally organized resistance force is known to exist. Nevertheless, tension is such that any sharp increase in regime pressures or alternatively any evidence of serious weakness at the top level could set off sporadic outbreaks of violence in various parts of East Germany--especially such industrial centers as Dresden or Magdeburg. Such outbreaks could easily assume major proportions, in view of the popular mood and the possibility of even harder living conditions during the winter. [redacted] (Con-
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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****SYRIAN PERSONALITIES**

The Syrian revolt, the recent parliamentary elections, and the election of a President have thrust a number of the country's established political figures back into the limelight and have brought forward some hitherto unknowns. While political parties were prohibited from campaigning for the elections, politicians ran as party members in much the same fashion as in the past.

The Parliament

Although Syria's new parliament has an apparent conservative coloration, its politics will be more to the left than is generally recognized. Western concepts of a parliamentary left and right are not applicable in Syria, where deputies are not greatly influenced by ideologies but by the exigencies of the moment. Members of the old-line conservative Populist and Nationalist parties hold only about 30 percent of the 172 seats, and nominally conservative independents about 60 percent. The socialistic, Arab nationalist Baath party has almost all of the remaining seats. Thus, the independents hold the balance of power; many, according to political custom, are available to the highest bidder.

Past experience has shown that strong personal and interparty rivalries make it impossible for conservative forces to cooperate for any length of time. In addition, the Populist and Nationalist parties are themselves split into conservative and liberal

factions. This background and the heterogeneous composition of the new parliament, with no majority for any party, make it doubtful that conservative elements will dominate the scene for long.

Fifty of the new deputies served in the 1954 parliament, and another 25 have had parliamentary experience. In some cases a relative of a former deputy ran and won this time--in accord with a practice often followed when the chances of one member of the family have been temporarily dimmed by changed political conditions.

The election of a number of former army officers to parliament raises the specter of a repetition of the pattern of alliances between politicians and army elements which was prevalent in Syria before the union with Egypt in February 1958. The present role of the army's Syrian Arab Revolutionary Command, which engineered the coup in September, is unclear, but it probably will continue to exert substantial political influence. Both the army and parliament include proponents both of radical pan-Arab nationalism and of traditional Syrian nationalism.

Syria's political fortunes over the next few months will depend largely on the outlook and actions of a few key personalities; some are in parliament, and some are not.

President Qudsi

Dr. Nazim al-Qudsi, a political moderate, was

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overwhelmingly elected President of the Syrian Arab Republic on 14 December. Born in Aleppo in 1905, Qudsi, a former Nationalist party leader, broke with the party in 1949 and from 1944 to 1946 was ambassador in Washington and a member of the Syrian delegation to the United Nations. He has been prime minister and foreign minister several times. He was educated at the American University of Beirut and holds a law degree from the Syrian University and an LL.D. from the University of Geneva. He speaks Arabic, Turkish, and English.

Relatively pro-Western Qudsi is a man of integrity and has consistently opposed the army's intervention in politics. He, as well as his Populist party, has for years proposed some sort of Iraqi-Syrian Union. However, as long as Qasim rules in Iraq, there is little possibility that Qudsi will press for union. On taking the oath of office he enunciated a policy of neutralism.

Shukri al-Quwwatli

Quwwatli, Syria's last president, is probably the country's most astute politician. Respected for his Moslem piety and patriotism, Quwwatli is not a member of parliament. He may in the coming months emerge as an elder statesman and an arbiter among Syria's political groupings, as well as with the army factions.

Born into a prominent Damascus family in 1891, Quwwatli was educated at the Imperial Civil Service College

in Constantinople and served as an Ottoman civil servant before World War I. Long an Arab nationalist, he was imprisoned by the Turks and was exiled several times during the French mandate. A founding member of the Nationalist party, Syria's oldest political grouping, he was elected to the presidency in 1943 and re-elected in 1948. His government, characterized by large-scale corruption, nepotism, graft, and general mismanagement, was overthrown in March 1949 in Syria's first military coup, and he went into exile in Alexandria, Egypt. Returning to Syria in 1954, Quwwatli again was elected president, and it was under his leadership that the country adopted a pro-Egyptian, anti-Western, pro-Soviet policy.

Quwwatli has the knack of sensing public opinion early in the process of formation and is able to accommodate himself to the public mood. During the years 1955-58 he was buffeted by Syria's rightist and leftist factions and followed the path of least resistance. After the formation of the UAR, Nasir gave him the accolade of "First Arab Citizen"; this soon was twisted by wiseacres into "First Arab Prisoner," in reference to Syria's role under Egyptian rule. Quwwatli was long the recipient of Egyptian and Saudi "largesse."

Khalid al-Azm

Another member of the old ruling group to reappear since the revolt is Khalid al-Azm, who was elected to parliament

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with the highest vote in Syrian history. Azm, 66 years old, comes from a Turkish landholding family long settled in Syria. He is a clever man without convictions; his overweening ambition is to become president of Syria.

Azm is adept at cooperating with any group which he believes is in the ascendancy--the French, the Arab nationalists, the Baathists, the army, the Arab Communists, or directly with the Soviet Union. He is agile and appeals to special interests of various rival groups. He was opposed to the Syrian-Egyptian union, following which he spent some time in the Soviet bloc. Since the Syrian revolt he has spent considerable sums to further his political ambitions--funds which may have come from the Soviet Embassy in Damascus.

Azm has held many cabinet positions, including that of prime minister on three occasions, and was prime minister at the time of the first coup in 1949. While apparently persona non grata with the present regime, Azm may make common cause with the now-suppressed Communists, with the Baathists if they become dissatisfied with the way things are going, or with dissident army officers. His skill at intrigue and his forcefulness make him a man to be watched.

Akram al-Hawrani

Among the most prominent and forceful of a somewhat younger generation of politicians who will play an important role in the months ahead is Baathist leader Akram al-Hawrani. He

was born in Hama in west-central Syria in 1909 and is a law graduate of the Syrian University. Impulsive, erratic in his behavior, ambitious, and opportunistic to an extreme, Hawrani is the prototype of the new class of Syrian politician, the man with a vision--that of revolutionizing the social structure.

As a socialist, Hawrani has fought for the breakup of the large estates, heavy taxation of the rich, complete secularization of the state, and alleviation of the lot of the poor. He has played a part in every coup except that of last September, and is the classical Syrian example of cooperation between the politicians and the military.

Mamun al-Kuzbari

Kuzbari, who was chief of state and prime minister following the coup until he resigned to win a seat in parliament, has been elected speaker of parliament, one of the most influential positions in the government. A seasoned politician in his forties, Kuzbari is a professor of law and, as speaker of parliament in February 1954, succeeded to the presidency for a day following the overthrow of the Shishakli regime. Since then he has been head of the Arab Liberation party, a conservative grouping which was Shishakli's brain-child.

Although Kuzbari did not have a large political following, he served as minister of education and of justice and as acting minister of labor at various times during the 1955-58

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period. He is said to have a good grasp of economics as well as law, and is married to the daughter of one of Syria's leading industrialists. Since the revolt he has given the impression of being a sober-minded individual who feels that the clock cannot be turned back and that social measures taken during the union will have to be retained. He is anti-Communist and considered pro-Western.

Army Elements

Among the former military officers elected to parliament are Amin al-Nafuri, Mustafa Hamdun, Abd al-Ghanni Qannut, and Ahmad Abd al-Karim.

Nafuri, a thoroughgoing opportunist, at one time had a large following in the army among the enlisted men and officers of rural origin. Through unprincipled maneuvering he became a brigadier general and came to be assistant chief of staff prior to the union with Egypt and subsequently minister of communications in the UAR regional cabinet for Syria.

Qannut, a Baathist supporter, commanded an armored battalion and was instrumental in bringing about the formation of the UAR. Like Nafuri a cabinet minister during the UAR period, Qannut left the regional government along with several other Syrian ministers in May 1960 after disagreement with Nasir over policies in Syria.

Mustafa Hamdun, a close relative of Hawrani, was chief of personnel of the Syrian Army and came to be minister of social affairs in Syria under the UAR regime. He, too, broke with Nasir. Ahmad Abd al-Karim, also a former chief of personnel in the army, was a Baathist supporter before the Syrian-Egyptian union.

All of these former officers were members of the "Little Revolutionary Command Council" which controlled the army in the years 1954-58 and cooperated with civilian politicians, especially members of Hawrani's Baath. In view of their past proclivities for intrigue, the activities of these former officers will be of special interest.

Other Key Personalities

Maruf al-Dawalibi, a left-wing Populist, has a long record of cooperation with radical elements. Several times a member of parliament from Aleppo, he was prime minister for a day in December 1949, when his open opposition to army influence in the government sparked a coup by then chief of staff Shishakli. Despite his frequent past alliances with leftists, Dawalibi is a leader of the reactionary Moslem Brotherhood. His cooperation with left-wingers stems in large part from his anti-Westernism and violent Arab nationalism. Because of his hatred and fear of Israel, he was a strong advocate of closer Syrian relations with the USSR and of arms and economic agreements with the Soviet bloc prior to the union with Egypt.

Among the younger Nationalist party leaders is Sabri al-Asali, an aggressive, ambitious, and opportunistic politician. In the past his political allies have been drawn from the entire spectrum of Syrian politics. He cooperated with the anti-Western Baathists during the 1955-58 period and was instrumental in bringing about union with Egypt. However, he is not personally ill-disposed toward the West,

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