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8 June 1962

CURRENT INTELLIGENCE WEEKLY SUMMARY



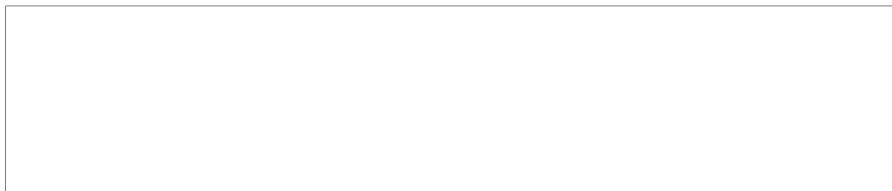
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THE WEEK IN BRIEF
(Information as of 1200 EDT 7 June)

LAOS Page 1

Boun Oum and Phoumi--now at the Plaine des Jarres for talks with Souvanna and Souphannouvong--seemingly have yielded to Western and Thai pressure and, while still distrustful of a Souvanna solution, appear prepared to accept the formation of a coalition government. Before leaving Vientiane, Phoumi had indicated to Ambassador Brown his willingness to make concessions in several key areas in order to achieve a settlement. During the past week government forces were augmented at Ban Houei Sai, and Pathet Lao - North Vietnamese units continued probing action near the towns of Saravane and Attopeu.

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ALGERIA Page 3

The termination of the OAS "truce" in Algiers by the 7 June renewal of attacks on Moslems probably reflects OAS realization that the provisional Algerian government will not make any concessions to Europeans beyond the terms of the Evian agreements. The OAS has lost momentum by the truce, however, and many Europeans reportedly feel that Algerian independence now is inevitable.

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SOVIET FOREIGN POLICY DEVELOPMENTS Page 4

The USSR maintained its critical attitude toward the West last week with a statement denouncing US high-altitude nuclear tests and charges that Britain and France are supporting West Germany's aggressive ambitions and demands for nuclear armaments. The meeting of bloc leaders which convened in Moscow on 6 June--with the announced purpose of discussing bloc economic matters--also provides an opportunity for a strong endorsement of recent Soviet warnings that if the West clings to its "unreasonable and unrealistic" position on a Berlin settlement, the bloc will have no alternative but to conclude a separate peace treaty with East Germany. Despite this hardening in Moscow's public attitude, the Soviet leaders have continued their interest in further bilateral US-Soviet talks on Berlin and to avoid threats of a new treaty deadline.

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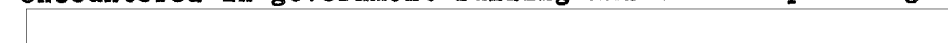
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SOUTH VIETNAM Page 8

A gradual decline in Viet Cong activity during the past month and the use of smaller forces may be due partly to the start of the rainy season and to continued government pressure. Armed Communist attacks continue at a fairly constant rate, however, and the smaller scale actions may indicate that the Viet Cong are regrouping and retraining. The major government relocation and rehabilitation projects now under way have progressed smoothly, but some delays are being encountered in government funding and overall planning.



USSR RAISES PRICES OF LIVESTOCK PRODUCTS Page 9

The USSR's price increases for livestock products are intended both to stimulate the lagging animal husbandry industry and to draw off the increase in disposable income which has raised the demand for the limited supply of consumer commodities. This move will provide some additional funds for agriculture without diverting resources from other uses. Any significant improvement in agriculture, however, will require higher investment priorities for industries producing farm machinery, fertilizers, herbicides, and other products important to basic production.

COMMON MARKET DEVELOPMENTS Page 10

At Brussels on 29 and 30 May, the UK and EEC ministers for the first time got down to serious bargaining over Britain's EEC entry, and one problem--the treatment of Commonwealth exports of certain manufactured items--was settled.



there remain formidable political and economic obstacles to British accession, including London's inevitable showdown with the Commonwealth.

EAST GERMAN ECONOMIC DEVELOPMENTS Page 11

The foundation is being laid for closer Soviet-East German economic relations giving Moscow greater control of the East German economy. In addition, East Germany has indicated an interest in increased trade with West Germany and has repaid its deficits incurred on interzonal trade accounts. The East Germans are also seeking a trade agreement with West Berlin as part of their continuing effort to cut the city's ties with Bonn.

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WEST GERMANY Page 13

Opposition continues within the Christian Democrat-ic Union (CDU) to features of the US proposals on Berlin, although most critics have lately refrained from public statements. An element of the CDU Bundestag group is threatening an all-out fight against any US-Soviet agreement to ban the transfer of nuclear weap- ons. This element is also opposed to the suggested 13- nation Berlin access authority

[Redacted]

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At the end of the CDU convention on 5 June, Chancellor Adenauer again attacked the practicability of the proposed access authority.

[Redacted]

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VENEZUELA Page 14

The leftist-inspired revolt of a marine battalion on 2 June has placed President Betancourt under grow- ing pressure to take forceful measures against extrem- ists and has increased the danger of his overthrow by military rightists dissatisfied with the government's failure to end the continued unrest. Betancourt is planning additional steps toward outlawing the Com- munist party and the pro-Castro Movement of the Rev- olutionary Left--the two groups most responsible for the disturbances. His retention of the military's support will depend largely on his success in pre- venting further leftist outbreaks.

[Redacted]

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SPUTNIK XVII Page 15

Sputnik XVII, put in orbit on 28 May and identified in Soviet announcements as Cosmos V, was the fifth space vehicle the USSR has launched this year. Preliminary analysis indicates that it is a scientific research vehicle like the first three of the Cosmos series.

[Redacted]

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INDUSTRIAL SLUMP IN COMMUNIST CHINA Page 16

Evidence continues to accumulate that the indus- trial slump evident in 1961 may have worsened. Recent observations of industrial facilities in Cen- tral and South China found advanced sectors of industry "working at half capacity or less"; there were many idle or deserted factories outside the larger cities, and those plants which were operating appeared plagued by shortages of raw materials and capital, by primitive methods, and by a lack of organization. The regime has seemed uncertain as to how to remedy the situation and apparently anticipates no immediate upturn.

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SINO-INDIAN RELATIONS Page 18

The growing antagonisms between Peiping and New Delhi are underscored by their failure to renew the recently expired Sino-Indian treaty governing trade with Tibet and the consequent closing of Indian and Chinese trade agencies. Tensions have been further heightened by the sharp recriminations exchanged after the announcement that Communist China and Pakistan had agreed to negotiate a provisional boundary accord and by recent reports of a possible Sino-Pakistani friendship agreement. Chinese and Indian troops continue to patrol along the border, and both sides appear to be improving their military posture.

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PERUVIAN ELECTION TENSIONS Page 19

As the campaign for the 10 June elections draws to a close, it seems increasingly likely that no presidential candidate will receive the required one third of the popular vote, and that the selection will therefore fall to the new congress. Military leaders have said they will refuse to let the reformist, anti-Communist APRA's candidate take office, and they have taken control of the electoral machinery. They are in a position to force the selection of a candidate acceptable to them, either by resorting to electoral fraud or by intimidating the new congress.

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CONGRESSIONAL ELECTIONS IN ECUADOR AND BOLIVIA Page 20

Ecuador's elections on 3 June resulted in a new congress more strongly conservative than its predecessor. In the Bolivian congressional election on the same day conservative elements made some gains, but the leftist government party remains dominant. Despite some election violence, the public in both countries showed considerable apathy.

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DOMINICAN REPUBLIC Page 21

The Council of State has accomplished much during its first five months in power, although it continues to be hampered by political inexperience, incipient divisions among its own members, and public impatience for more rapid reform. Its difficulties are likely to grow as the presidential elections this December approach. Anti-US feeling is rising over the proposed US legislation that would reduce the premium US price for sugar, the Dominican Republic's chief dollar earner.

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TURKEY Page 22

Prime Minister Inonu's resignation on 31 May apparently was a tactical move designed to improve his position. He is picking up additional support outside his own party, while the ranks of the major opposing party have split on the issue of an amnesty for supporters of the former Menderes regime. Evidently

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confident of support from the military and with the public calm, Inonu hopes to get on with important legislative work, especially on economic development, which has been stalled by wrangling over amnesty.

[Redacted]

ACCRA WORLD PEACE ASSEMBLY Page 23

A nongovernmental "assembly" on world peace co-sponsored by Ghana's Nkrumah and European advocates of unilateral disarmament is scheduled to meet in Accra from 21 to 28 June. Representatives are being invited from the West as well as from neutral countries and the bloc, but the gathering is almost certain to be heavily weighted with leftists critical of official Western positions on disarmament. Resolutions condemning nuclear tests and urging establishment of nuclear-free zones can be expected, and an "Accra plan" for disengagement and disarmament will probably be elaborated. Nkrumah apparently views the exercise primarily as a means of promoting himself as a major neutralist leader.

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SPECIAL ARTICLES

ISRAELI-SYRIAN BORDER Page 1

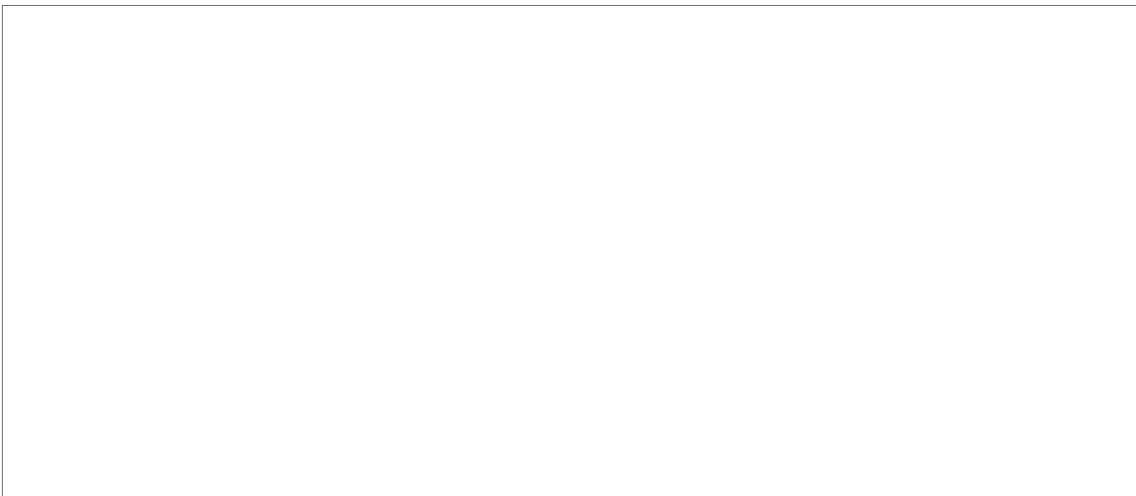
Fundamental Arab-Israeli differences remain unresolved and continue to threaten stability in the Middle East. The place of greatest tension and potentially the most explosive area is Israel's border with Syria. While UN truce teams keep this frontier under observation to try to prevent incidents from developing into open warfare, they are handicapped by an unwieldy armistice agreement

[Redacted] and the unrelenting hatred of the Syrians for Israel. [Redacted]

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SOUTH KOREA--A YEAR OF MILITARY RULE Page 9

The military regime of General Pak Chong-hui during its first year has consolidated its position and embarked with determination on an inadequately planned program to overcome South Korea's many social, political, and economic problems. The regime has not won wide support. Its authoritarian tactics and the increasingly clear intention of the leadership to dominate a succeeding civilian administration have alienated important political groups. The junta is vigorously seeking to broaden South Korea's international ties, while promoting closer regional cooperation against the Communists.



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WEEKLY REVIEW

LAOS

Boun Oum and Phoumi--now at the Plaine des Jarres-- seemingly have yielded to Western and Thai preference to accept the formation of a coalition government under Souvanna. Phoumi told Ambassador Brown on 5 June that he hoped an early settlement might be achieved; he indicated that a draft agreement might be completed in one meeting.

Prior to his departure for the Plaine des Jarres, Phoumi had modified several of his conditions for acceptance of a Souvanna coalition. While terming the situation "an important question," he assured Ambassador Brown that he would not insist that Pathet Lao forces withdraw from Nam Tha before a settlement. He also expressed his satisfaction with a 6-4 split between Xieng Khouang and Vientiane neutralists in the center group of the anticipated cabinet; he had earlier pressed--with Western support--for a 5-5 division of the seats. Perhaps the major concession is his expressed willingness to allow Souvanna to hold the posts of defense and interior; previously, Phoumi had refused to consider neutralist control of these two key ministries.

There are indications, however, that Phoumi remains fundamentally suspicious of the possibility of a coalition under Souvanna.

he still is hopeful that outside aid--US, UN, or SEATO--will be forthcoming to prevent a Communist takeover in Laos. His recent army reorganization and

his concentration of the bulk of his battalions in southern Laos suggest that he is contemplating--possibly counting on--either a breakdown in the talks or the early collapse of the coalition, in either case to be followed by a resumption of hostilities.

Military activity has been limited during the past week. Government forces have been augmented at Ban Houei Sai, and Pathet Lao - North Vietnamese units have continued probing action near the towns of Saravane and Attopeu. While the Pathet Lao possess the capability to capture most of the government towns along the Mekong, it is unlikely that any major action will be initiated while the Plaine des Jarres talks are in progress.

Hanoi, quoting a Western press story, has charged that members of the US military advisory group in Laos stationed with royal Laotian forces at Ban Houei Sai are really troops from American units sent to Thailand last month. The North Vietnamese broadcast said this gives the lie to US declarations that troops in Thailand will not be sent to Laos, but did not raise this as an obstacle to the Plaine des Jarres talks.

Moscow's propaganda suggests that the Soviet leaders anticipate failure of the talks. The USSR has called on the US to halt its assistance to the Vientiane regime in order to prove that it really wants a settlement; Moscow questions the sincerity of

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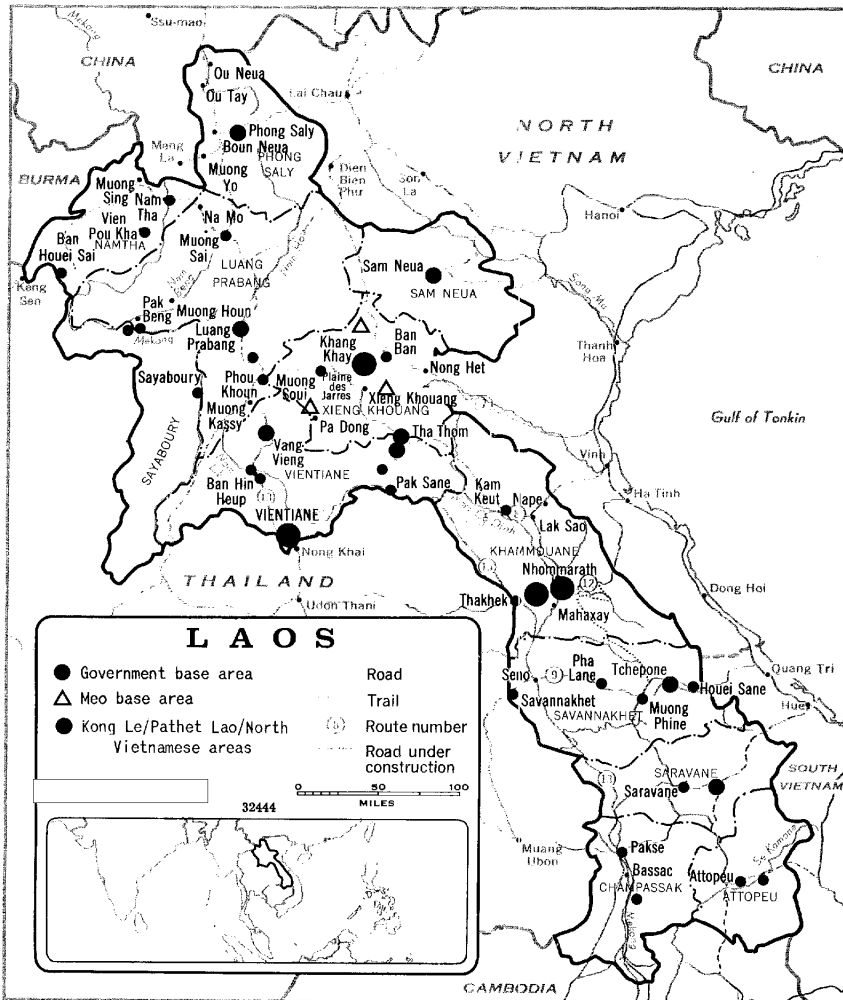
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expressions of support from Washington and Vientiane for the formation of a coalition government. Moscow radio charged that the US is seeking to evade responsibility for the impasse by repeatedly affirming its support for a settlement, but at the same time alleging that it cannot control Phoumi and Boun Oum. Moscow termed

vate the situation in order to create a pretext for "large-scale armed interference" in Laos and has added the charge that US helicopters have transported Thai and Chinese Nationalist troops and weapons into northwestern Laos from Thailand.

Khrushchev and Defense Minister Malinovsky received



this "version" false from beginning to end.

Soviet propoganda also continues to allege that the US is seeking to aggra-

a Laotian military delegation on 2 June which included neutralist General Kong Le and a Pathet Lao general, but there was no indication of the substance of the talks.

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


The Secret Army Organization (OAS) on 7 June broke the "truce" in Algiers by renewing attacks on Moslems. This probably reflects its realization that the provisional Algerian government (PAG) will not make any concessions to Europeans beyond the terms of the Evian agreements. The OAS has lost momentum by the truce, however, and many Europeans reportedly feel that Algerian independence now is inevitable.

There are indications that the OAS leaders attempting to negotiate with the Algerian nationalists represent the organization's "civilian" wing, which is concerned with finding a way for Europeans to remain in Algeria rather than seeking political power in France. The extent of contacts is not known, but there is some evidence that this group hopes to exploit rumored differences between the PAG and Algerian nationalist leaders within Algeria.

A French Foreign Ministry official told a US Embassy officer on 5 June he was convinced that the OAS "civilian" wing was making a serious effort to find a basis for understanding among members of the "Algerian household"--the OAS and Algerian nationalists, as opposed to the French Government and the Tunis-based PAG. Although nationalist leaders within Algeria have at times apparently acted independently of the PAG, it is unlikely that they could extend guarantees to the Europeans without the concurrence of the PAG.

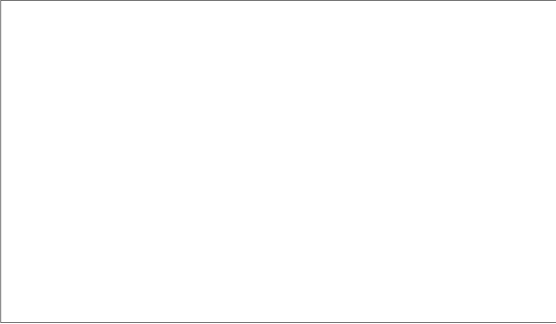
An official PAG press service announcement of 1 June warned Europeans that the Evian guarantees are not applicable to "war criminals" or those who have been guilty of felonies since the cease-fire. The PAG representative at the UN indicated to US officials last week that after independence the Algerian government would take stern measures to remove OAS sympathizers from the coun-

try. He said that Moslem discipline would be maintained until after independence, but said he hoped the world "would understand what happened after that," when "up to 400,000" Europeans would be arrested by the new government.




Minister for Algerian Affairs Joxe's staff chief told US officials last week that Oran is no longer run by the OAS, as it was some weeks ago, and that the Europeans are again getting in touch with the prefect and seeking ways in which they can assure themselves of some sort of future within Algeria.

The Tripoli meeting of the Algerian National Revolutionary Council (CNRA) has lasted longer than expected, but there is no indication that the PAG has lost control of the nationalist movement to the militant leaders of the Algerian National Army.



Political activity in Algeria preparatory to the self-determination referendum is scheduled to begin following the 7 June deadline for the registration of political parties.



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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****SOVIET FOREIGN POLICY DEVELOPMENTS**

The USSR maintained its critical public attitude toward the West last week with a statement denouncing US high-altitude nuclear tests and charges that Britain and France are supporting West Germany's aggressive ambitions and demands for nuclear armaments. The meeting of bloc leaders which convened in Moscow on 6 June provides a platform for a strong endorsement of recent Soviet warnings that if the West clings to its "unreasonable and unrealistic" position on a Berlin settlement, the bloc will have no alternative but to conclude a separate peace treaty with West Germany.

The Soviet Government statement issued on 3 June characterized planned US high-altitude tests as "extremely dangerous actions" which could have "disastrous consequences" and accused the US of extending the nuclear arms race into outer space. It warned that the tests may jeopardize the lives and safety of astronauts undertaking future space flights and charged that the US objective was to develop methods for paralyzing the defenses of "peace-loving nations," thereby safeguarding the US from retaliatory nuclear blows. In this context, the statement recalled President Kennedy's interview in March in which he allegedly stated that the US under certain circumstances will take the initiative in a nuclear war with the USSR.

Moscow warned that the US high-altitude tests will confront the USSR with the need to take "appropriate measures" to ensure its own security and asserted that the Soviet Government "will see to it" that the US does not achieve any military advantage from the tests.

Soviet propaganda on the Macmillan - De Gaulle talks stressed the contradictions between the two countries on the European Common Market (EEC) and alleged that the two leaders

had discussed a deal whereby Britain would provide France with nuclear information which would eventually be passed on to West Germany.

The Common Market

The conference of bloc leaders may repeat Khrushchev's recent attacks on the EEC, renew his call for an international trade conference, and discuss proposals to strengthen cooperation within the bloc's economic organization, CEMA. The USSR will probably give more attention to the theme that the EEC is an aggressive organization which threatens the Soviet bloc and the new states of Asia and Africa. A Prague commentator said it was "very likely" that Khrushchev's proposal for a trade conference will be discussed at the UN General Assembly next fall.

Private Assurances

Despite the hardening in Moscow's public attitude toward the West, the Soviet leaders have continued [redacted] their interest 25X1 in further bilateral US-Soviet 25X1 talks on Berlin and to avoid threats of a new deadline for unilateral bloc action.

Moscow's concern and uncertainty over a possible hardening in Western policy on Berlin were reflected in remarks made by Mme. Khrushchev on 30 May to Ambassador

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Thompson and by Izvestia editor Adzhubey during Press Secretary Salinger's visit to Moscow to the effect that this is a particularly critical time in US-Soviet relations.

Disarmament

The 17-nation Geneva disarmament conference has agreed to recess for a month beginning on 15 June. In response to a question from a member of the UN secretariat in Geneva as to whether the USSR would use the recess to revise its draft treaty, Soviet delegate Usachev said he intended to oppose any changes at this time. He added that if the negotiations were to succeed, the US would eventually have to modify its position on the transition between stages of a disarmament program, as well as to find some way to deal more radically with nuclear weapons at an early stage. He contended that the US has not yet really accepted the goal of general and complete disarmament.

Outer Space

The Soviet statement on US high-altitude testing alluded to the harmful prospects of such tests on US-Soviet cooperation in outer space. However, it carefully avoided language which would write off the current US-Soviet bilateral talks on outer space cooperation. These talks are being held in Geneva concurrently with the sessions of the legal and technical subcommittees of the UN Committee on Outer Space.

Blagonravov, the principal Soviet delegate in the US-Soviet bilateral talks, read the 3 June government statement into the record at the 4 June session of the technical subcommittee. He later told chief US delegate Dryden that he had been asked by correspondents if, in view of this

action, the bilateral talks would continue, and that he had said they would, "no matter what." Blagonravov added to Dryden that he would not continue discussion of US testing in the technical subcommittee. At the 4 June session he and Dryden reached tentative agreement on draft agreements on meteorology and geomagnetics.

In a private conversation with Dryden on 31 May, Blagonravov strongly indicated that the USSR intends to press for a proposal banning the use of earth satellites for purposes of military reconnaissance. He said that while it would not come up in either the technical subcommittee or in the bilateral talks, it "would certainly come up" in the legal subcommittee. After Dryden reiterated resolute US opposition, the Soviet official said the proposal "would be firmly supported" by the USSR.

A formal proposal for such a ban--never before introduced--would be aimed primarily at the United States' "spy-in-the-sky" program. During the March and April sessions with the United States on outer space, the Soviet Union for the first time raised the question of such a prohibition but did not offer a formal draft statement at that time.

Moscow heretofore has avoided pressing this issue. Now that the USSR has launched five Cosmos satellites, however, the Soviet leaders may consider that raising the reconnaissance satellite question will create an impression of a greater-than-warranted capability on the part of the Soviets to interdict satellites over the USSR and to use reconnaissance satellites of their own. In addition, the USSR is probably^{25X1} building a case against the eventual publicized launching of a US Samos reconnaissance vehicle.

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SOUTH VIETNAM

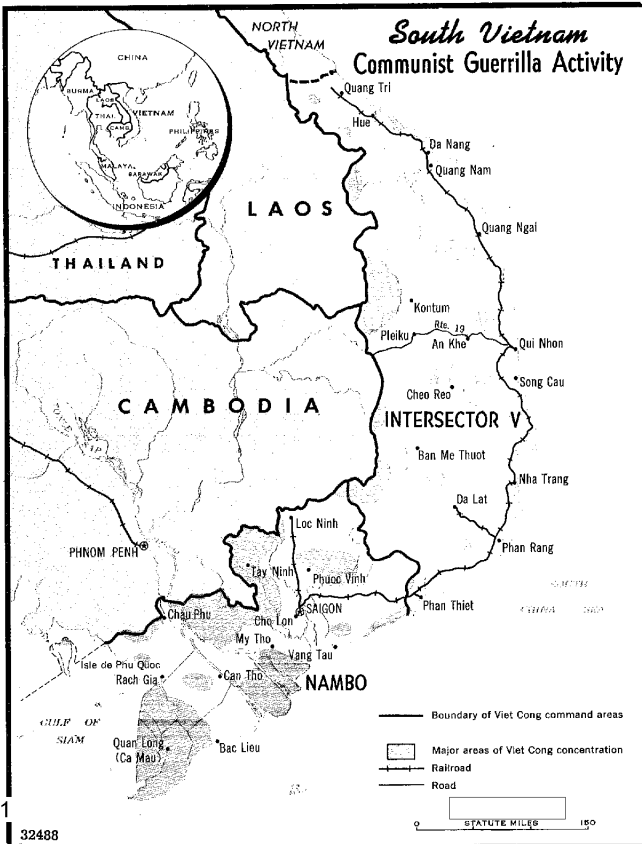
Viet Cong activity, measured in terms of reported weekly incidents of all kinds, has declined gradually over the past four weeks, and use of smaller units--seldom above company size--has also been noted. This drop probably is due at least partially to the onset of the rainy season as well as to continued pressure from government airstrikes and airlift operations. There is no clear evidence that the Viet Cong have suffered any significant reduction of their military capability; armed attacks have continued at a fairly constant rate for several months, averaging slightly over 100 weekly. Similar periods of relatively slack activity have occurred in the past and have apparently been used by the Viet Cong to reassess tactics and to re-group and retrain their forces.

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Despite the fact that the government's relocation centers and strategic hamlets are being attacked with increasing frequency, the major projects now under way have progressed without disruption. A fourth strategic village is to be constructed this month north of Saigon, where some 2,770 persons have already been resettled. In the central coastal province of Phu Yen, army units have regained control of major rice-growing areas south of Song Cau, and completion of 82 strategic hamlets is planned through October. Resettlement of highlands refugees--largely mountain tribesmen--is reported to have located 39,000 persons in 67 villages, with 66,000 awaiting settlement. Further rapid progress on some of these projects, however, may be held up by delays in government funding and priority designations. Action on broader plans for counterinsurgency and pacification in the delta area still awaits President Diem's approval.

There are rumors that Diem may replace some officials concerned with economic and civic action programs.

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CURRENT INTELLIGENCE WEEKLY SUMMARY
USSR RAISES PRICES OF LIVESTOCK PRODUCTS

The USSR's price increases for livestock products are intended to stimulate the lagging animal husbandry industry and at the same time draw off the increase in disposable income which has raised the demand for the limited supply of consumer commodities. This move, implemented in a decree published on 1 June, will provide some additional funds to agriculture without diverting resources from other uses. Any significant improvement in agriculture, however, will require higher investment priorities for industries producing farm machinery, fertilizers, herbicides, and other products important to basic production.

Prices for livestock and some livestock products paid by the state to collective farms and individuals will be raised by an average of 35 percent and those to state farms by a somewhat lower rate; retail prices will be raised an average of 30 percent, the first major increase in state retail food prices in the post-Stalin era.

This apparently reverses the long-standing policy of selectively decreasing prices while wages have been rising. This policy has resulted in some inflation, which has become particularly evident in rising prices for food in the free markets. At the same time, the prices in state stores have been maintained. As a result, free market prices, which were 30 percent above state store prices in 1959, rose to nearly 40 percent higher in 1961. This upward trend reflects the over-all stagnation in agricultural output over the past three years, the restrictions on livestock holdings of urban residents, and the general rise in wages of urban workers.

USSR: INDEX OF FOOD PRICES IN STATE AND FREE MARKETS

	1958	1959	1960	1961
State Stores (Fixed Prices)	100	99	99	99
Free Market	138	130	135	138

PRICE INDEX OF SELECTED MEAT PRODUCTS
IN MOSCOW FREE MARKETS
(First Half Year)

1955	1956	1957	1958	1959	1960	1961	1962
100	92	94	88	92	95	106	110

The higher prices to be paid producers should result in some increases in emphasis on livestock raising. This effect will be limited, however, by the need to meet planned goals for other commodities, by apathy regarding profits, particularly on state farms which do not retain their earnings, and by such difficulties in expanding livestock production as the establishment of an adequate feed supply and the long-term enlargement of the herds.

State purchases have amounted only to about two thirds to three fourths as much as it has cost the collective farms to raise the cattle and hogs. The new prices appear intended to cover the current cost of production, but the average collective farm still would be able to realize a profit only by making further reductions in production costs.

If consumers maintain the same quantity of purchases from state retail stores for meat and meat products as in 1961, they will spend an additional 1.6 billion rubles, increasing total outlays for food about 4 percent. Consumer reaction should not be severe. Meat production per capita in the USSR is only about one third that in the US, and consequently the increase in the cost of meat should not loom too large in the family budget. Additionally, the consumers are used to buying their quality meat in the expensive free markets, and the expected moderate price rise there will not be a great deterrent.

The 1 June decree was accompanied by an "appeal" from the Council of Ministers and the party central committee to "all the Soviet people" giving reasons for the price changes --an obvious effort to soften public reaction. Khrushchev used most of his 2 June speech to Cuban students in Moscow to a similar end. At the March party plenum, Khrushchev had termed price increases and other measures to limit consumption 25X1 capitalist devices used in balancing supply and demand.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****COMMON MARKET DEVELOPMENTS**

Comparatively few decisions were made by the Common Market (EEC) and UK ministers at their meeting on 29 and 30 May, but the sessions were conducted in a friendly atmosphere, and the British confirmed their acceptance of provisions of the EEC treaty calling for the harmonization of commercial, monetary, and social welfare policies. For the first time, moreover, the key issue of Commonwealth preferences was the subject of serious bargaining.

The major result of this bargaining was Britain's agreement to phase out over a transitional period the preferences it now accords manufactured goods from Canada, Australia, and New Zealand. On entering the EEC, Britain will apply 30 percent of the EEC's tariff to such imports; an additional 30 percent will be imposed in 1965; and the full EEC rate will become applicable by 1970. A provision for review of these steps in 1966 and 1969 is apparently understood by both sides as intended to ease London's "political and presentational problem" with the Commonwealth.

Concerning the much more difficult problem of Commonwealth exports of temperate-zone farm products, the discussions were inconclusive. Nevertheless, in rejecting London's bid for guarantees of "comparable outlets" for the Commonwealth, the EEC proposed to negotiate instead special trading arrangements for such products, with transitional periods extending to 1970. In addition, as further assurance to all exporters of farm products, the EEC offered to issue two declarations of intent--to pursue such price policies as will not unduly encourage farm production in the EEC, and to negotiate worldwide, multilateral agreements regulating trade in farm produce.

The US ambassador to the European Community sees these developments as definitely encouraging, but he cautions that thorny economic and political issues remain. The Macmillan

government is still under strong pressure from the protectors of Commonwealth interests. With obvious reference to the farm issue, the Australian prime minister and the New Zealand deputy prime minister have publicly warned that the UK-EEC agreement concerning manufactures cannot be considered an acceptable pattern. The negotiations on Britain's entry into EURATOM and the Coal-Steel Community may prove lengthy and difficult, and the UK is still committed not to enter the EEC until satisfactory arrangements have been made for Britain's partners in the Outer Seven.

Moverover, there remains uncertainty concerning the ultimate attitude of France. Couve de Murville took little part in the Brussels ministerial meeting

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In any case, there appears to be full awareness on both sides of how much hangs on the UK-EEC negotiations. Various texts have been proposed in the last few weeks to resolve the deadlock over the treaty to constitute a European political union, but there appears to be tacit acceptance that such a treaty is not likely to be concluded until it is clear whether the union will include six member countries or more. With respect to the role of European union in the Atlantic framework, De Gaulle stated that Europe should stand on its own feet; Macmillan, however, replied that one should realize that it could not.

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EAST GERMAN ECONOMIC DEVELOPMENTS

East Germany has been active on three economic fronts this year. The foundation is being laid for closer economic relations between East Germany and the Soviet Union. In addition, East Germany has indicated an interest in increased trade with West Germany and has repaid its deficits incurred on interzonal trade accounts. The East Germans are also seeking a trade agreement with West Berlin as part of their continuing effort to cut the city's ties with Bonn.

Soviet - East German Relations

Khrushchev and Ulbricht agreed in Moscow in late February that the East German economy would be more closely coordinated with that of the USSR. Soviet officials, who had been studying East German imports from the West, especially from West Germany, expanded their review to include all phases of the East German economy. The Soviets are supervising East German economic activity in 1962 to ensure proper fulfillment of key investments. The East German industries being expanded most rapidly with Soviet assistance are those in which the Soviet Union has the greatest interest.

The USSR also has extended considerable economic assistance

to East Germany. The \$310,000,000 Soviet credit announced in March will apply mainly to commodities, but Moscow is prepared to provide limited amounts of foreign exchange for selected priority projects.

East Germany's offers to West Germany and West Berlin obviously have been carefully worked out within the framework of closer Soviet control of the East German economy.

East - West German Relations

Despite its long-stated goal of achieving independence from West German imports, East Germany remains vitally interested in interzonal trade--in which it had a sizable deficit at the beginning of 1962. By increasing deliveries and curtailing orders, however, it eliminated the deficit by mid-April and since then has achieved a surplus on balance of accounts with the Federal Republic. East Germany's interzonal trade negotiator, Heinz Behrendt, told a meeting of West Berlin businessmen on 22 May that he had proposed a substantial expansion of this trade.

Earlier this year, East Germany approached the West Germans for long-term credits for commodities totaling about

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CURRENT INTELLIGENCE WEEKLY SUMMARY

\$780,000,000 in value. In mid-February, the regime proposed purchases of \$637,500,000 worth of West German hard coal and coke, to be repaid by deliveries between 1967 and 1983 of East German crude oil (of Soviet origin) and brown coal products. In early April it offered to buy, outside interzonal trade accounts, \$125,000,000 worth of West German machinery, including rolling mill equipment, for repayment in goods over an eight- to ten-year period. Later that month the East Germans expressed interest in purchasing, within the interzonal framework, \$16,250,000 worth of food, textiles, pharmaceuticals, and similar consumer products.

than international, and the East Germans apparently intend to exploit this loophole as long as possible. However, the protocol provides that "each member state may take suitable measures to avert any difficulties which might arise for itself as a result of trade between a member state and East Germany."

East German - West
Berlin Relations

Behrendt suggested at the 22 May meeting that a separate trade agreement be signed between the East German regime and the West Berlin Senat. The Ulbricht regime reportedly would like to see East Germany's share of West Berlin's trade increase from its present negligible level to 25 percent, and to this end has ordered state trading agencies to purchase in West Berlin all goods which are comparably priced with commodities normally purchased in West Germany. East Germany is placing steel, electrotechnical, and machine equipment orders with West Berlin firms.

To date, known East German probes have been almost exclusively economic; other kinds of attempts and pressures may be expected, however.

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Chancellor Adenauer has publicly stated that Bonn will make no commitment unless the East Germans abandon the Berlin wall and restore free traffic in the city.

A possible reason for the East Germans' bid for expanded trade with West Germany may be their fear of the growing strength of the Common Market. A protocol to the Common Market treaty recognizes the fact that West Germany treats trade with East Germany as internal rather

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****WEST GERMANY**

Opposition in West Germany to US proposals on Berlin continues among government officials and Bundestag deputies of Adenauer's Christian Democratic Union (CDU), although these elements have lately made few public statements. Their objections center on two aspects of the US plan--the idea of setting up a 13-nation Berlin access authority and the proposal that the US and USSR agree not to transfer nuclear weapons to countries not possessing them.

Baron Karl Guttenberg, one of the CDU's most influential members on foreign and defense questions, is representative of deputies who feel that the access authority plan goes much too far toward recognition of the East German regime. These deputies threaten all-out opposition to the proposal for non-transference of nuclear weapons, and believe they will find popular support for their view that no matter how it is worded, this proposal is directed particularly at Germany.

Opening the CDU national convention in Dortmund on 3 June, Adenauer stressed the necessity for the US to remain in its role as leader of the West, and declared that there were no differences between Bonn and Washington over goals, although there were differences on "details" of policy. Just before the convention opened, he warned the party against offering concessions, as Moscow would regard them only as a weakness. In a press conference on 5 June, Adenauer repeated the criticism he had originally voiced in Berlin on 7 May of the US proposals on the composition of access authority. He said, "I am afraid these constructions are nothing but constructions." He again opposed membership in the authority for either East or West Germany, and scorned neutral participation.

Like the SPD and FDP, both of which held their own conventions within the past two weeks, the CDU insisted on the preservation of the present political and economic ties between West Berlin and the Federal Republic.

The CDU convention also adopted a new organization designed to provide more effective party leadership while allowing Adenauer to continue as party chairman. In the new seven-man presidium, control of party machinery is put largely in the hands of a managing chairman--Josef-Hermann Dufhues, interior minister of the state of North Rhine - Westphalia.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

VENEZUELA

The leftist-inspired revolt of a Venezuelan marine battalion on 2 June has placed President Betancourt under growing pressure to take forceful measures against extremists and increased the danger of his overthrow by military rightists dissatisfied with the government's failure to end the continued unrest. Betancourt is planning additional steps toward outlawing the Communist party (PCV) and the pro-Castro Movement of the Revolutionary Left (MIR) because of their efforts to undermine the government and their involvement in the recent revolts at Puerto Cabello and Carupano.

As a result of the Carupano uprising on 4 May, the records of the PCV and the MIR were confiscated and their headquarters occupied by the government. However, their representatives continue to sit in the national congress and, in alliance with other opposition parties, have blocked Betancourt's efforts to obtain congressional approval of anti-leftist decrees. If Betancourt succeeds in his plan to oust the Communist and MIR members from congress, the deadlock which has persisted since March would be broken and he would be in a favorable position to outlaw both parties. The Social Christians (COPEI)--one of the two parties comprising the government coalition--may oppose Betancourt's plan. However, widespread support for strong action is likely to convince the COPEI leadership that

a rightist coup can be averted only by effective restraints upon the PCV and MIR.

The leftists probably do not control sufficient resources to overthrow the government.

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Both the Communists and MIR are making a concerted effort to organize university and high-school students for insurrection. The extremists have made substantial gains among the students, attaining control of several student organizations in recent elections at two large universities. Student demonstrations provided the only support in Caracas for the military revolt on 2 June, and many students have been captured among guerrilla groups.

With the exception of the marines there appears to be general support for the government coalition among the military, and efforts are being made to eliminate the extremist minority in the armed forces. Betancourt's prospects for retaining the loyalty of the military will depend largely on his success in preventing further leftist violence. Government security forces can be expected to take strong measures to suppress any new outbreak.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

SPUTNIK XVII

Sputnik XVII, put in orbit on 28 May 1962 and identified as Cosmos V in Soviet announcements, was the fifth Soviet space vehicle the USSR has launched this year. Preliminary analysis indicates that it is a scientific research vehicle like the first three of the Cosmos series, Sputniks XIII, XIV, and XV.

Sputnik XVI (Cosmos IV) was launched. Although the characteristics of the launch vehicle used to orbit satellites from Kapustin Yar are not known,

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it is different from all others employed thus far in the Soviet missile and space program.

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Sputnik XVI, identified by the USSR as Cosmos IV, may have been used for some phases of the scientific research program, but the close similarity of this launch to previous man-in-space operations indicated that it was more probably intended as a step toward the development of a life-support system for prolonged manned flight.

At the time the first Cosmos satellite was launched, Soviet statements indicated the series would investigate the physics of the upper atmosphere and space. Sputnik XIV has apparently been used for experiments involving the measurement of solar radiation, ion and electron densities, and the investigation of ionospheric refraction.

Cosmos V, like the first three Cosmos vehicles, was launched from Kapustin Yar rather than Tyuratam, where

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****INDUSTRIAL SLUMP IN COMMUNIST CHINA**

Recent observations of industrial facilities in Central and South China, the first comprehensive crossview of Chinese industry in many months, indicate that the industrial slump --evident in 1961--may have worsened.

There were many idle or deserted factories outside the larger towns, and the more advanced sectors of industry were "working at half capacity or less." Plants still operating appeared plagued by shortages of raw materials and capital, by primitive methods, and by a lack of organization.

At the Wuhan Steelworks, only one blast furnace out of three and only two open hearths out of six were in operation. The plant director could not say when capacity operation might be attained. In the large Wuhan Lathe Factory, none of the smelting furnaces was operating, the plant was "littered with scrap iron," and workers were standing about aimlessly. The absence of finished parts at some machines led to the suspicion that the operations there were being conducted solely for the benefit of the visitors. The Wuhan Light Industrial Machinery Plant "seemed to be doing almost nothing," but operations appeared more nearly normal at

a low-pressure boilerworks. At Changsha, all sections of a waterpump factory were operating except the most important--the shop for initial casting of components. This shop was deserted, and the furnace was cold.

Consumer industries gave a better impression, although working methods were primitive and any rationalization of production processes seemed barely to have begun. At Nanning, for example, a rubber boot and tire factory was using techniques "almost primitive enough to be called handicraft."

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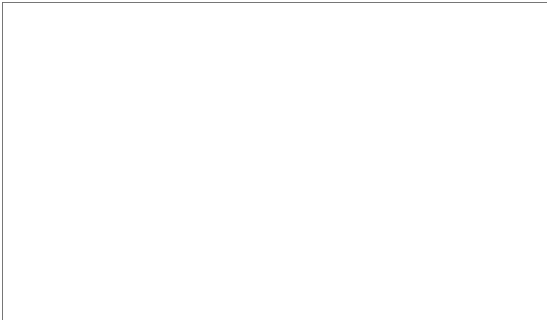
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CURRENT INTELLIGENCE WEEKLY SUMMARY

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equipment, [redacted] at the Loyang Tractor Plant

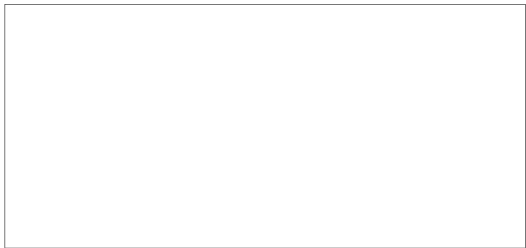
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[redacted] annual production was only 9,000 tractors in both 1960 and 1961, compared with targets of 15,000 and 11,000 in those years. The 1962 goal has been reduced to 8,000, but only 1,000 tractors were produced in January and February. Also, People's Daily implied in a May editorial that production of animal-drawn farm tools is lagging. It said tool repair must be the main task through 1963 and did not hold out prospects of expanded production of these items until 1964.

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Furthermore, there have been indications of failures to meet expansion schedules or of lagging production, even in those sectors of industry which have priority in current economic plans. Efforts to expand chemical fertilizer production continue, with some 15 plants under construction or expansion.

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Numerous interacting factors appear to be causing this downward trend in industrial output, notable among which are the aftereffects of the "leap forward" debacle, the absence of Soviet technical support, and the shortages of food and agricultural raw materials. Administrative indecision and confusion and demoralization among the labor force also figure importantly. The regime has seemed uncertain how to stem the decline and apparently anticipates no immediate upturn.

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A large chemical fertilizer plant in Canton was to be completed in late 1960, but [redacted] in March 1962 [redacted] the factory had not yet produced any fertilizer. Equipment for some processes was not yet installed, and there were shortages of special steel materials. The regime's failure to announce completion of any major new chemical fertilizer plant suggests the construction situation in Canton and Shanghai is representative.

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In another priority sector of industry, farm machinery and

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CURRENT INTELLIGENCE WEEKLY SUMMARY

SINO-INDIAN RELATIONS

The continuing deterioration of relations between Peiping and New Delhi is underscored by the expiration on 2 June of their 1954 treaty governing trade with Tibet. Both sides are closing the trade agencies provided for by the treaty. The Chinese sought to renegotiate it, but India contended that only a cessation of Chinese "aggression" would provide a climate favorable to such talks.

The Chinese Communists have attached special importance to the 1954 treaty, since it embodied their first formal commitment to the so-called Five Principles of Peaceful Co-existence. The catchphrase Five Principles has become a mainstay in Chinese propaganda to other countries of Asia and was included in the boundary accords with Burma and Nepal. Peiping, sensitive to New Delhi's imputation that the Chinese have dishonored these principles, has therefore gone to considerable lengths to make its point that it was India which disregarded them. The People's Daily editorial of 3 June, lamenting the lapse of the treaty, charged India with openly supporting the Tibetan

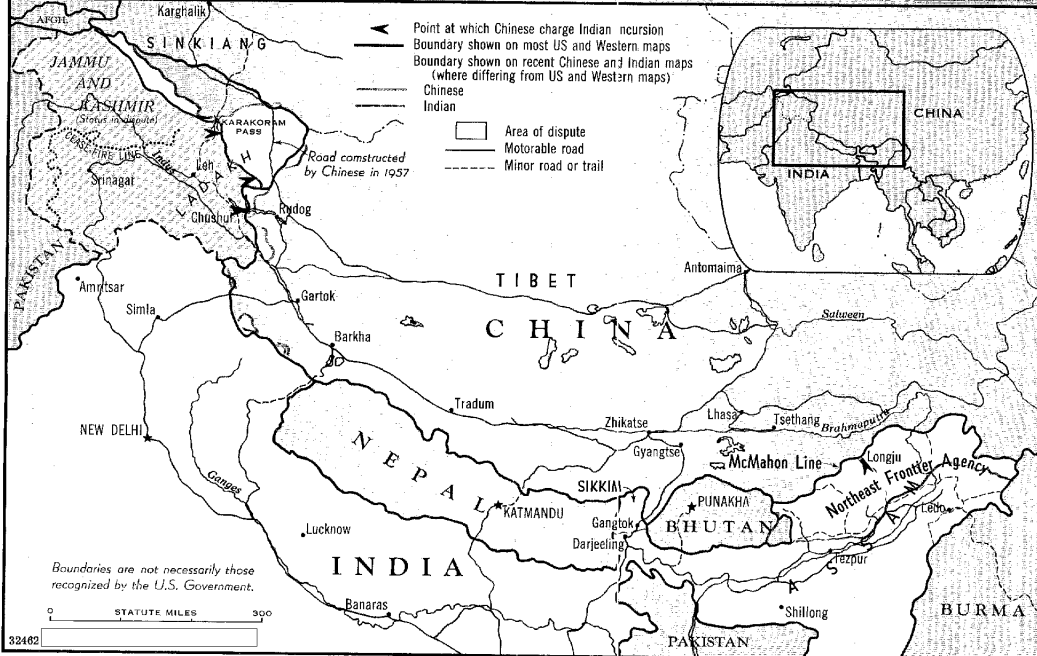
rebels and crudely interfering in China's internal affairs.

Although no new clashes between Chinese and Indian troops along the disputed border have been reported, charges of new intrusions continue to be exchanged.



Small-scale clashes are likely this summer, if the troops continue to maneuver in close proximity. In Ladakh, for instance, the Indian Army has in the past two months put camps on the flanks of Chinese Communist outposts which New Delhi says were set up in areas that the Chinese did not even claim in 1956. The response thus far from Peiping has been comparatively mild and largely verbal, a factor which may encourage the Indians to probe further. The Chinese appear to be improving their military posture in the border area in anticipation of further trouble.

COMMUNIST CHINA-INDIA BORDER AREA



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CURRENT INTELLIGENCE WEEKLY SUMMARY

Sino-Indian tension has been further heightened by the early May announcement of Peiping's agreement with Pakistan to negotiate a boundary accord and by recent Karachi press reports of impending aid and friendship agreements with the Chinese. New Delhi, assuming that these moves were timed to embarrass India, has protested to both Karachi and Peiping. It has denied the existence of a common Sino-Pakistani frontier and takes particular exception to the suggestion that the boundary of Pakistani-held Kashmir has never been delimited. The Indians fear that general acceptance of this proposition would undercut their whole case on the border.

In contrast to Soviet support of India on the Kashmir dispute, the Chinese have preferred to remain neutral on this issue and have seemed sensitive to the Indian charge that they are seeking to exploit it for their own advantage. Peiping has denied it is taking sides in the dispute, pointing out that it is seeking only a provisional agreement with Pakistan, pending a final settlement in Kashmir. Peiping's insistence in moving toward negotiations, however, suggests the Chinese have decided that increased contacts with Pakistan may prove a valuable asset in their war of nerves with New Delhi.

PERUVIAN ELECTION TENSIONS

The electoral campaign in Peru--required by law to end 48 hours before the polls open at dawn on 10 June--has become increasingly bitter and confused. The reformist, anti-Communist APRA probably will win control of the congress, but it now seems unlikely that any of the presidential candidates will receive the one third of the popular vote needed for election. If no one does, the new congress will elect a president after it is sworn in on 28 July.

The APRA candidate, Victor Raul Haya de la Torre, who in January seemed a certain winner, lost his early advantage to leftist-supported Fernando Belaunde Terry of the Accion Popular (AP). Former dictator Manuel A. Odria also cut into Haya's lead, mainly through his appeal to conservative elements.

Because of their long-standing enmity to APRA and virtual hatred of Haya personally, military leaders have threatened since March to in-

tervene to prevent him from becoming president. Their earlier plans to take over the government and cancel the election apparently have been abandoned, but they have established effective control of the election machinery. Widespread falsification of the returns may result in a fraudulent victory for Belaunde, the candidate favored by the military. APRA leaders, who control labor in Peru, have threatened to call a general strike if Haya is cheated out of the presidency. Such a strike probably would lead to serious violence and extreme repressive measures.

If the selection of the president falls to congress, even though congress is controlled by APRA, the opportunities for intimidation by the military leaders will be considerable. If the military leaders could not then force the selection of Belaunde, they might agree to let APRA have the presidency provided Haya withdrew in favor of APRA's vice-presidential candidate, Manuel Seone.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

CONGRESSIONAL ELECTIONS IN ECUADOR AND BOLIVIA

Congressional elections in Ecuador and Bolivia on 3 June resulted in an increase of strength for conservative elements, although Bolivia's leftist government party continues to dominate the electorate. Despite some election violence, the public in both countries showed considerable apathy.

Ecuador

Unofficial but apparently conclusive returns indicate that the new lower house of congress in Ecuador will be composed of 24 Conservatives, 23 other right-of-center deputies from various parties, 18 independent deputies who tend to be rightists, three Social Christians, and five members of the leftist-supported Concentration of Popular Forces (CFP). The CFP proved generally dominant in Guayaquil, Ecuador's chief commercial city, electing the mayor there as well as the five congressmen and three provincial councilmen. In other principal cities, including Quito, rightists were elected mayors.

An effective coalition of the rightist forces in congress could be a formidable antigovernment bloc opposed to President Arosemena's reform program. One political leader has said he was encouraged by the results of the election and has implied that enthusiasm for a rightist military coup now has waned. No confirmation of the latter point, however, has as yet been forthcoming from a military spokesman.

President Arosemena probably will continue his efforts to align himself with the moderate right, hoping to attract the support of the independents--who may control the balance of power in the new congress. Unless he makes some lasting arrangement during the next two months, another turbulent period may be expected after congress convenes in August.

Bolivia

Incomplete returns indicate that Bolivia's governing party, the leftist Nationalist Revolutionary Movement (MNR), ran first as expected in rural areas and in all major cities except Oruro, the mining and railway center. In Oruro, the conservative Nationalist Bolivian Falange polled more votes than any other party, possibly because the government party list included certain extreme leftists who were not fully supported by President Paz. The anti-Communist Social Christian party, which now has no representation in congress, apparently elected at least one deputy. The Communist party polled some 10,000 votes, about 2 percent of the total, but did not elect a representative.

The new congress, which will be inaugurated on 6 August, will, according to returns thus far, show an increase in opposition strength, mostly on the right. The constitution provides for a strong executive, however, and a strengthened opposition is unlikely to impede the activity of the Paz administration.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

DOMINICAN REPUBLIC

The seven-man Council of State, the Dominican Republic's caretaker executive, can be credited with important accomplishments since it came to power five months ago. After more than 31 years of Trujillo tyranny and the seven months of confusion that followed the dictator's assassination a year ago, the bases for democratic government and moderate socio-economic reforms are being laid and the principle of civilian supremacy over the military has been at least tentatively established. Next August a constituent assembly is to be elected to revise the constitution.

The Council of State, under President Bonnelly's capable if unspectacular leadership, is hampered by political inexperience, by maneuvering by two of its members for personal power, and by public impatience for more rapid reform. These difficulties are likely to grow with the approach of the December elections for a president to replace the council. The major political parties have eschewed close association with the council in order to have a free hand in the campaign.

There is a threat of subversion from extremes of right and left: the Trujillo remnants, most of whom are in exile; and the Communist-influenced 14th of June party and smaller groups

The Communist-influenced groups appear to have lost strength since last year, but they may still become a serious danger if the economy deteriorates or if a guerrilla movement develops with Cuban assistance. The

Dominican armed forces probably are not yet capable of effective action against guerrillas.

A dangerous situation could result from the maneuvering of Antonio Imbert and Luis Amiana, members of the Council of State and the sole survivors of the Trujillo assassination plot. They fear reprisal from the surviving Trujillos and are attempting to build their own power machine, particularly in the armed forces, in an attempt to assure their protection after the council is replaced. On 27 May they inspired a public proposal that they be commissioned army generals, but when opposition developed they rejected the proposal.

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Anti-US feeling has been rising over the proposed US legislation that would reduce the premium price in the US for sugar. Sugar is the Dominican Republic's chief dollar earner, and the premium price is considered necessary to keep the country from running into debt. Ambassador Martin is concerned whether the council will be strong enough, in the face of rising public feeling, to continue its pro-US posture. Dominicans are particularly susceptible to reminders by leftists that the US occupation from 1916 to 1924 resulted from foreign indebtedness; it is this condition which leftists claim the United States is trying to re-create by this legislation.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****TURKEY****Turkish Prime Minister**

Inonu's resignation on 31 May apparently was a tactical move designed to improve his position. During the first six months of his coalition government, he was unable to obtain badly needed legislation because of the obstructionism of an extremist faction in the Justice party demanding amnesty for imprisoned followers of former Prime Minister Menderes. The underlying conflict--whether everything connected with Menderes be considered anathema or whether certain remnants of his program be preserved--is a highly emotional issue.

The military leadership, particularly the middle-rank officers, have been most bitterly opposed to any revival of Menderes' policies. Their support of Inonu has been dependent on his resisting the extreme demands of the Justice party. There is also a radical military wing which has pressed Inonu for anti-Menderes measures more drastic than he has been willing to undertake.

Inonu has moved cautiously but firmly against both groups of extremists. After obtaining the support of the highest echelons of the military command, he began some weeks ago to transfer from sensitive locations those middle-ranking officers whom he considered most dangerous. He has forced his opponents in the Justice party to make successive concessions on issues which tend to split the party and damage its prestige.

On three occasions Inonu got his way by threatening to resign, a move which the Justice party has feared could lead to military intervention. His resignation, when it did come, stemmed from the highly charged amnesty issue. Rank-and-file members of the Justice party parliamentary group refused to honor their party leadership's agreement to let Inonu decide the terms and schedules for release of these prisoners.

The military have stayed on the sidelines thus far, and the public has remained quiet. President Gursel has asked Inonu to form a new cabinet. The split in the Justice party has widened, and the radical secretary general has been ousted. The titular party chief, Ragip Gumuspala, remains in office, but appears to have lost control of the party to the moderate wing.

Inonu's new government will probably have stronger representation from his own Republican People's party. Two minority parties, unrepresented in the last cabinet, may also receive several posts. The Justice party is likely to be left out altogether, although several of its cabinet members with whom Inonu has worked well in the past could keep their posts. Foreign Minister Erkin and Minister of State Feyzioglu--both of Inonu's own party--have an excellent chance of continuing in office. Such a government should provide at least a period of political stability--which Inonu needs to get a longer range economic program under way. 25X1

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****ACCRA WORLD PEACE ASSEMBLY**

A nongovernmental world peace gathering, called the Accra Assembly, is scheduled to convene in the capital of Ghana from 21 to 28 June. The meeting is being sponsored jointly by Ghana's Nkrumah and European advocates of unilateral disarmament, and its aim, as publicly stated by a Ghanaian official last February, is "to support the nonaligned policy as pronounced by the Belgrade Conference." Nkrumah's initiative in promoting the assembly reflects his desire to present himself as the foremost African leader and a major world figure.

Nkrumah's first public allusion to such a meeting, made in a speech about a year ago, was evidently preceded by correspondence on the subject with Canon L. John Collins, a pacifist Anglican cleric who heads the Campaign for Nuclear Disarmament in the UK. The first formal announcement about the assembly was made in October 1961, during a meeting in Accra of a preparatory committee which includes other prominent European "unilateralists," a leftist member of the Indian Parliament, and Brazil's pro-Communist "nutrition expert" Josue de Castro.

Last February the committee met again in Zagreb, Yugoslavia, in conjunction with a "preparatory conference" at which some 35 "experts," including 15 from the West and 6 from the bloc, produced a series of reports on the disarmament problem. These reports, characterized

as "internally inconsistent, frequently naive, and factually incorrect," are being distributed as "working papers" for the assembly.

Detailed arrangements for the assembly, which is being subsidized by Ghana, are being handled by a special task force operating from Nkrumah's office. This group includes a Czech national employed as a civil servant in Ghana.

about two thirds of the approxi-

mately 100 participants being sought would come from Asia, Africa, and Latin America, with the balance made up about equally of persons from bloc and Western countries. A number of "experts" or "consultants" with some official standing or special prestige have been sought from both the US and the USSR.

the assembly's organizers have had difficulty developing a final invitation list, especially for Africa, and that firm acceptances are generally lagging despite recruiting expeditions last month by two members of the Accra secretariat.

In general, the political orientation of the wide assortment of persons known to have been invited or considered as regular participants is leftist, although in most cases non-Communist. Many of them have achieved prominence in the arts or sciences. Writers Ilya Ehrenburg and Mikhail Sholokhov are being sought from the USSR, along with several well-known scientists. Apparently no Chinese Communists have yet agreed to come

Most of the Westerners tapped are persons who have been outspokenly critical of their countries' positions on disarmament. However, there will be some responsible Westerners--for example, former Irish Foreign Minister MacBride--prepared to take firm positions and work for balanced resolutions.

The emphasis at Accra will almost certainly be on the overriding necessity for disarmament at any price, and the proceedings are likely to be particularly useful to Moscow's propaganda build-up for its own peace congress scheduled for July. In addition to probable resolutions condemning nuclear testing and urging nuclear-free zones, an "Accra plan" for disengagement and disarmament is likely to receive endorsement, and some type of permanent organization may be established.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

SPECIAL ARTICLES

ISRAELI-SYRIAN BORDER

Several firing incidents this March on Lake Tiberias culminated in an Israeli reprisal raid against a Syrian strongpoint and led to a UN Security Council debate and resolution condemning Israel. The pattern was a familiar one: other Arab-Israeli crises have developed in the same sequence of events during the years since Israel fought its "war of independence" in 1948-49.

That war has never formally ended. Israel concluded armistice agreements with the combatant Arab states (except for Iraq, which authorized Jordan to negotiate for Iraqi forces), but the peace treaty it hoped would follow never reached the negotiating stage. The Arab states proclaim their intention to renew the conflict. Their hostility toward the Israelis, whom they consider intruders in "Arab" territory, apparently precludes anything more peaceful than the present armed and occasionally broken truce.

If open Arab-Israeli warfare beyond the scale of border clashes is resumed, it might well start along Israel's Syrian frontier. In recent years, and especially since the Suez War of 1956, incidents have most frequently occurred along that short border. Moreover, it is from that area that the Israelis intend, in the winter of 1963-64, unilaterally to begin diverting water from the Jordan River Valley to the arid Negev in southern Israel. The Arabs have said they will forcibly oppose the diversion.

The Armistice Agreement

The Israeli-Syrian Armistice Agreement of 1949 is the source of the legal problems which arise during the recurrent border clashes. The differences between the two countries--primarily affecting the status of Lake Tiberias and the demilitarized zone--have never been resolved.

Syria was the first Arab state to intervene in the Arab-Jewish fighting in Palestine in 1948. A year later, after Israel had signed armistices with Egypt, Lebanon, and Jordan, Syrian forces still occupied three small areas of Palestine adjacent to Syria's frontier. United Nations mediator Ralph Bunche made a proposal that these areas, together with adjacent areas controlled by Israel and a small piece of Syrian territory, be made a demilitarized zone under the supervision of a Mixed Armistice Commission with a chairman appointed by the UN, as in similar arrangements in the other armistice agreements.

The proposal was accepted by both sides, and an armistice agreement was signed on 20 July 1949. Articles II and V specified that the provisions of the agreement, including those for the demilitarized zone, shall not "prejudice the rights, claims, and positions" of either party, or "have any relation whatsoever to ultimate territorial arrangements affecting the two." The chairman of the armistice commission and UN military observers attached to it were made responsible for assuring full implementation.

Israel regards the demilitarized zone as part of its sovereign territory, basing its claim on the UN General Assembly's 1947 Palestine partition resolution, which awarded to the proposed Jewish state all of the land which now comprises the zone except the small bulge into Syrian territory. The Israelis accordingly believe the zone differs from the rest of their territory only in that no activities of a military character are permitted and that the MAC chairman possesses authority regarding the return of civilians to the zone and the employment of locally recruited police.

Israel considers that even the policing and administration of the zone are essentially its responsibility, however, and

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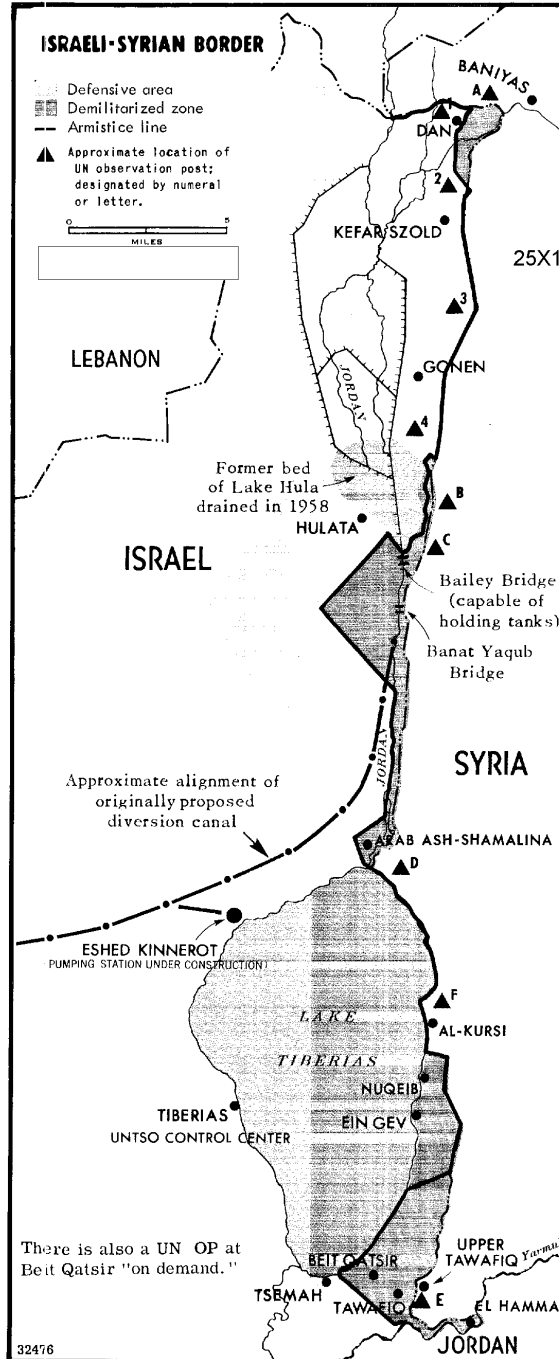
further contends that questions involving interpretation of Article V and the competence of the armistice commission are not matters which the commission itself can decide. The Israelis claim the Syrians have no legitimate concern with development in the zone, but have said they would respect "to the full" whatever private rights as to ownership of land may be involved.

The Syrians have taken the position that, in accordance with the armistice agreement, Israel has no right to claim sovereignty in the zone. They often refer to it as a "no man's land" and have repeatedly indicated that they regard the armistice commission or its chairman, as provided in the agreement, as the competent authority to deal with problems arising in the zone. Syria's stand is based on its military occupation of the zone at the time the agreement was signed and on what it asserts is its duty to protect private Arab interests there.

Major Disputes

The Syrian position that the demilitarized zone is neither Israeli nor Syrian territory is supported by the UN Truce Supervision Organization (UNTSO) and by the Security Council, which passed a resolution to that effect on 18 May 1951. The resolution came about as a result of the council's first consideration of the conflicting positions of the parties. A question had arisen regarding Lake Hula drainage operations which Israel was carrying out in the central sector of the demilitarized zone without first arranging for Syria's agreement through the chairman of the MAC.

A similar problem arose in September 1953 with respect to work begun by Israel in the same sector in connection with a diversion canal from the Jordan River. The UNTSO chief of staff ordered Israel to cease the work "so long as an agreement is not arranged" between Israel and Syria. The Security Council did not pass a resolution on that occasion, but since then Israel has deferred work on the diver-



sion canal and is building a pumping station on Lake Tiberias outside the demilitarized zone for its diversion scheme.

Difficulties involving Jewish and Arab farmers in the Tawafiq area of the southern sector of the demilitarized zone were almost an annual occurrence until early 1960. In a report at that time, the present UNTSO chief of staff, General von Horn, indicated that these difficulties

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CURRENT INTELLIGENCE WEEKLY SUMMARY

resulted from "the progressive extension" of Israeli cultivation eastward. He described how Israeli border police illegally entered the zone to protect the activities of Israeli settlers or to prevent Arab farmers from using lands west of an Israeli ditch which cut across their lands. Clashes occurred in January 1960, when Arab farmers crossed the ditch to work in their fields. Israel finally conducted a major reprisal raid against the Arab village of Tawafiq.

Division of the Zone

Von Horn had been trying to obtain the agreement of both sides to a modus vivendi based on the acceptance of a de facto line of demarcation in the Tawafiq area. Although neither the Israelis nor the Syrians have formally accepted the proposal, in practice both parties have, since 1960, more or less tacitly accepted the line as a division between Arab and Jewish cultivated lands.

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Control of Lake Tiberias

Since the demilitarized zone extends along the eastern shore of Lake Tiberias, riparian rights on the lake are in abeyance pending a determination of the status of the zone. However, the Israelis, consistent with their claim to sovereignty over the zone, contend the lake is wholly within their territory.

The zone along the north-eastern shore of the lake is only ten meters wide. During the period of the British administration in Palestine, local Syrians were licensed by the authorities to cross this strip of Palestinian territory and to fish in the lake, as they had long been accustomed to do. The Israelis contend Syrians have no right to fish in the lake, but have offered to continue the licensing procedure. To the Syrians, however, this would imply recognition of Israel and Israel's control of the entire lake. 25X6

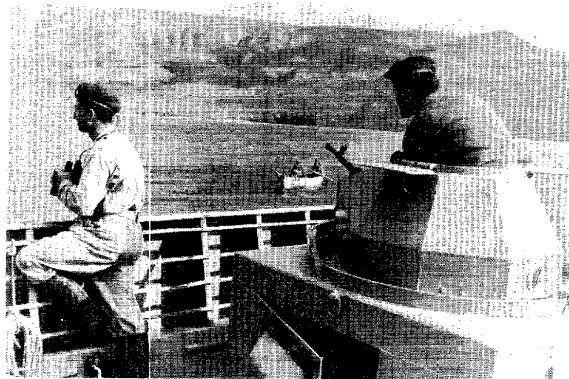
During the winter months--the best season for fish--most fishing is concentrated in the northeastern corner of the lake because of the subterranean hot springs there. In these months Syrians frequently have crossed the strip to fish, in defiance of the Israelis. Each year Israel has protested against such "poaching" and has tried to keep the Syrians away. The armistice commission has supported Israel's position on this point, in view of the prohibitions, in Article IV of the armistice agreement, against crossing of the zone by civilians.

The Syrians also have fired on Israeli fishing boats and, according to Israel, have cut Israeli fishing nets. Israel began escorting its fishermen with armed boats, despite armistice prohibitions against "naval forces" in a so-called "defensive zone," which includes the eastern half of the lake. Only limited land forces and specified arms and equipment are permitted in the defensive

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ISRAELI FISHERMEN AND PATROL BOAT ON LAKE TIBERIAS

zone, which covers territory on both sides of the demilitarized zone.

In 1955, after a series of flare-ups, Syria declared it would fire on armed boats approaching within 250-400 meters of the shore; i.e., the defensive zone. According to the UNTSO report on the situation at the time, the fact that armed boats were prohibited from the defensive zone "might explain though not excuse" the Syrians' firing on the boats. Subsequently the Israelis were permitted by the UNTSO to mount weapons as large as .50 caliber on boats.

It was a series of incidents involving fishing activities and exchanges between Syrian gun emplacements in the hills and Israeli patrol boats that created the serious flare-up in March of this year.

severely handicapped by Israel's lack of cooperation. Ever since the Security Council resolution on the Lake Hula case in May 1951, Israel has refused to attend regular meetings of the armistice commission.

Israel considers the organization an irritating limitation of Israeli sovereignty and says it was originally accepted on the understanding that it was to last only a year. Israel has alleged, moreover, that the Arabs have persisted in efforts to use the organization to infringe on Israel's rights and attack its very claim to existence. On the other hand, Israeli officials profess to believe the UNTSO has confined itself too legalistically to the terms of its mandate and should instead expand its mediating scope, becoming more "diplomatic" in character.

The truce organization now mans ten observation posts on both sides of the border. It also has sought to acquire facilities from the Israelis for the operation of a helicopter and an observation boat on Lake Tiberias. An Israeli official has stated that Israel cannot permit a UN boat to operate on the lake because this might cast doubt on Israel's sovereignty over the lake. The general tenor of Israel's response has been that in seeking improved facilities the UNTSO has ulterior motives.

The UNTSO

The operations of General von Horn and his truce supervision organization have been

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A further hindrance to the UNTSO's effectiveness has been the restriction applied by the Israelis on freedom of movement by UN observers within the demilitarized zone. This problem has been especially acute since 1959, when a former chairman of the MAC agreed that observers should not enter any part of the zone without an Israeli liaison officer as escort--thereby establishing a firm precedent.

Although it has been almost 14 years since the armistice agreement was signed, the exact location of the armistice demarcation line has not yet been accurately determined. Thus, ever since Israel's reprisal in March the armistice commission has been unable to determine whether the Syrian trenches north of Nuqeib are just inside or just outside the demilitarized zone. In 1949, Dag Hammarskjold got Israel and the UAR, of which Syria was then a part, to agree to an accurate demarcation of only five kilometers of the line, which totals about 90 kilometers--roughly 56 miles--in length. If a survey of the entire line were ever carried out, both Israel and Syria might be somewhat embarrassed, since each side has fortified areas which appear to the MAC to be in the demilitarized zone.

The Military Situation

The topography in the area of the border--which was defined as the Palestine-Syrian frontier by Britain and France in 1923--leaves Syria in possession of the high ground overlooking the Jordan River valley, now occupied by Israel. The Syrians accordingly have a distinct military advantage which, Syrian officers are frank to admit, enables them to shell lines of communication in Israel from positions outside the defensive zone. The advantage was clearly demonstrated in a clash in 1958 when Syrian artillery fire severely damaged Israeli border settlements. The depth of Syrian defenses behind the immediate border area, moreover, presents a formidable obstacle to any large-scale Israeli attack.

Israel's most recent test of Syrian defenses--the raid in March against Nuqeib, for which Von Horn says at least 1,300 troops were used--reportedly was something less than a success. Von Horn, indeed, contends the Israelis were decisively beaten. In any case, it is apparent that the encounter had a sobering effect on Israeli estimates of Syrian effectiveness, and that as a result, any future reprisal almost certainly will be on a larger scale.

The Israelis, on the other hand, were not chastened by the adverse resolution of the Security Council on 9 April. The resolution determined that the March attack was a "flagrant violation" of a 1956 council resolution which condemned similar Israeli retaliatory action and called on Israel to refrain from such action in the future.

The following day, Israel's Knesset "categorically" rejected the Security Council resolution by a 76-3 vote, and Prime Minister Ben-Gurion strongly criticized the US and Von Horn for applying a "double standard" in judging Israeli and Syrian actions. He reasserted Israel's right of self-defense and sovereignty over all of Lake Tiberias.

The Israelis have become especially sensitive to the sovereignty issue as it applies to the lake, because they now tend to identify Syrian firing on Israeli boats with attempts to disrupt, if not stop, Israel's use of water from the lake in the vital Jordan River project. Former Syrian Prime Minister Dawalibi remarked earlier this year that "the battle of the water has begun." When and how Syria will oppose the project is a major imponderable in the current border situation. Whatever the outcome of Syria's internal turmoil, it appears that as the Israeli project's 1963-64 completion date approaches, any Syrian regime will be under very strong pressure to take some action. That other Arab states will join in such action, however, seems much more dubious.

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SOUTH KOREA--A YEAR OF MILITARY RULE

The military regime of General Pak Chong-hui during its first year has consolidated its control of South Korea and is moving to assure the dominance of the present leadership in a succeeding civilian administration. Power is in the hands of an armed group which has younger and better informed leaders and is providing a more efficient and less corrupt administration than any recent South Korean government.

The regime has not won wide support, however, and its authoritarian tactics have alienated politically important groups. While approving the junta's strong anti-Communist stance and generally recognizing the need for reforms, public opinion increasingly favors an early return to civilian government.

The government has initiated programs for economic reform, many of which have been too hastily developed and poorly administered. There remain the chronic problems of factionalism within the junta, unemployment, poverty, under-industrialization, and an overly large military establishment.

Consolidation of Control

General Pak has emerged as the key man in the regime as a result of his ability to hold in balance the factions in the Supreme Council for National Reconstruction (SCNR)--the top executive and legislative body. His personal integrity has won the esteem of the military and considerable respect from the general public. Pak's November 1961 visit to Washington and subsequent expressions of US support enhanced his prestige.

Following the Washington visit, factional tensions in the SCNR diminished. Most political prisoners seized during the early days of the regime have been released under close police surveillance. Leftist agitation has been suppressed, and the disorderly student demonstrators whose activities highlighted the Chang Myon administration have been returned to the classroom.

In June 1961 the junta established the semiofficial National Reconstruction Movement (NRM) to build public support for the "revolution" and extend political control to the grass-roots level. Local branches now blanket the country, but the NRM is regarded with apathy and suspicion.

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The students, at first favorably disposed toward the patriotic appeal of the May coup, soon became disaffected. Arrests of students and professors generated fear and resentment. Long-needed educational reforms--the closing of substandard institutions and reduction of liberal arts enrollments--were hastily imposed without adequate preparation.

The junta's actions toward organized labor have been governed by suspicion and a desire to forestall any actions that might interfere with the regime's economic plans. The unions have been reorganized under new leaders, most of them young men reported to be dynamic and realistic. Strikes are banned, and other activities are circumscribed by police surveillance.

The junta's efforts to court the farmers, about 70 percent of the population, have met with only marginal success. Rural conditions appear no worse, possibly even a little better, than before the military takeover. Policies, however, appear to have been based on a "simple soldier's judgment of society," and programs such as the anti-usury law have been well intentioned but often ill thought out and hastily implemented.

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The Politicians

Corrupt politicians were a major initial target of the military group. After having a taste of power, the coup leadership became increasingly

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concerned over the danger of a challenge from ousted political leaders who retain strong ties in their local areas. In the eyes of the junta, "corrupt" politicians soon were equated with former politicians.

The "Political Purification Law," promulgated on 16 March, gives the junta the authority to bar anyone from political activity for up to six years. Most leading politicians among the 4,374 on the SCNR screening list refuse to apply for permission to resume political activity. Of the 2,958 who did, the regime has cleared 1,336. A faction of young politicians who belonged to the opposition during the Chang Myon administration was the only prominent group approved.

General Pak has the authority to clear anyone who is "conscientious and a good person." How he exercises this power may indicate the extent to which the junta is willing to risk continued alienation of responsible older civilian leaders.

The most critical period is likely to be the transition to civilian authority. The timetable as outlined by Pak calls for resumption of civilian political activities by early 1963, promulgation of a new constitution before March, and general elections in May.

The regime's intention appears to be to elect Pak president, with a 120-seat, rubber-stamp legislature made up of former military officers and selected civilians.

Foreign Relations

The junta is vigorously seeking to broaden South Korea's international ties while promoting closer regional cooperation against the Communists. Eleven additional countries have recognized South Korea since the junta seized power. Consulates have been established in India and Egypt, where the North Koreans also maintain consular relations. Unlike the Rhee government, the present regime has not assumed a bellicose policy toward the problem of Korean unification, possibly because the military coup casts a shadow on the government's claim to represent the will of the people.

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The junta wants Japanese funds to help finance its five-year economic development program and is seeking to end the ten-year impasse in relations with Japan. Pak's policy appears to be to offer Tokyo concessions on minor issues in the hope of eventually receiving a large cash settlement.

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The leaders seem anxious to continue South Korea's close ties with the United States but are highly nationalistic and intent on demonstrating their country's independence. They show an increasing reluctance to accept American advice when they believe South Korea's interests are not parallel with those of the United States.

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Pak has agreed to the principle of subordination of the South Korean armed forces to the UN Command, but the Koreans have indicated that they desire greater control over their own forces. This desire could take several forms, including pressure for a reorganization of the army command structure, with a reduction of the number of troops subject to the UN commander's operational control. The authority of the UN commander can no longer be taken for granted, particularly in decisions the junta leaders consider vital to their interests.

Economic Problems

The military government has introduced a sense of direction and discipline that has been missing since the republic was founded in 1948. This has included a concerted effort to control corruption. At the same time, however, the lack of civil administration experience among military officers and their distrust of former government and business leaders severely limit the government's ability to deal with the country's overwhelming economic problems.

Already in control of the central Bank of Korea, the military regime administers the nation's financial system by having, in effect, nationalized all commercial banks. Punitive action still in process against major industrialists and businessmen--practically all of whom stand accused of securing large profits illegally through collusion with former government officials and politicians--may lead to the nationalization of leading business enterprises as well. Uncertainty surrounding the disposition of these cases and businessmen's anxiety about future investments and opportunities led to stagnation of the economy during most of 1961. Only recently has industrial activity shown signs of revival, and these are not definitive.

Perhaps most serious of all the government's economic problems, however, is its disregard for matching its ambitious spending programs with sound

sources of revenue. Improved tax-collection procedures and diminished corruption among government officials are stretching available revenues further, but subsidies to farmers, defense spending, economic development costs, and loss of revenue from business stagnation have magnified the deficit and had a grave inflationary impact.

The regime's five-year economic plan envisages increased agricultural production, industrial expansion, an export program rising by 150 percent to \$291,000,000, and the attraction of sizable amounts of foreign investment, both private and official.

Earliest attention is being given to increasing electric-power generation on a country-wide basis and to a dramatic \$310,000,000 project to create an industrial complex at the southeastern port city of Ulsan, incorporating an oil refinery, a thermal electric power station, a fertilizer plant, and an iron and steel plant. The government is relying heavily on continued massive foreign aid to achieve its goals and presumably will continue, once the projects are completed, to require such assistance to finance raw-material imports.

Outlook

South Korea's major long-term problem is the poverty of its economy. Large-scale foreign aid and growing national aspirations have generated widespread public expectations for a rising standard of living. Prospects for improvement, however, are limited by the paucity of natural resources and human skills.

Immediately, the stability of the regime largely rests on Pak's ability to prevent a revival of factional infighting within the military, and more particularly within the ruling junta. His sudden removal

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or his failure to hold the military factions in balance could at any time set off a new round of political confusion and possible violence.

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