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COPY NO. 79

OCI NO. 0435/62

21 Sept 62

CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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CURRENT INTELLIGENCE WEEKLY SUMMARY

21 September 1962

T H E W E E K I N B R I E F
(Information as of 1200 EDT 20 Sept)

SOVIET FOREIGN POLICY DEVELOPMENTS Page 1

Although the USSR has declared a "pause" in Berlin talks, the Soviet leaders took steps last week to make it clear they have not retreated from their commitment to a unilateral settlement if negotiations later this year fail to produce results. Despite hints that contacts with US leaders during the next two months will be the final opportunity to negotiate a Berlin settlement, Khrushchev has kept open a number of alternative courses and thus does not yet appear firmly committed to a separate treaty in the period immediately following the US congressional elections in November.

The Soviet delegation probably will renew efforts to reorganize UN bodies on the "troika" principle. The Soviets apparently plan to use Iran's declaration banning foreign missile bases on its territory to support their charges of US "provocations" staged from overseas military bases.

Although propaganda on Cuba continues to charge the US with aggressive plans, Moscow welcomed President Kennedy's "realistic" statements in his 13 September press conference.

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SOVIET INTERPLANETARY PROBE FAILURES Page 4

The USSR has apparently failed in three attempts in less than three weeks to send an interplanetary probe toward Venus. In the most recent launching, on 12 September, the space vehicle was put into orbit, but the payload failed to eject from the vehicle. Of seven Soviet attempts at interplanetary probes since 1960, six are considered failures and one only a partial success.

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CHINESE COMMUNISTS INTENSIFY U-2 PROPAGANDA Page 5

After a slow start Peiping has stepped up its exploitation of the 9 September U-2 incident and is weaving charges of US responsibility for the overflight into a general attack on US "war preparations." In their treatment of the incident the Chinese Communists are also implying that the Soviet Union has "unrealistic illusions about US imperialism." Domestically, the regime is attempting to rally popular support by spurring public indignation over the incident.

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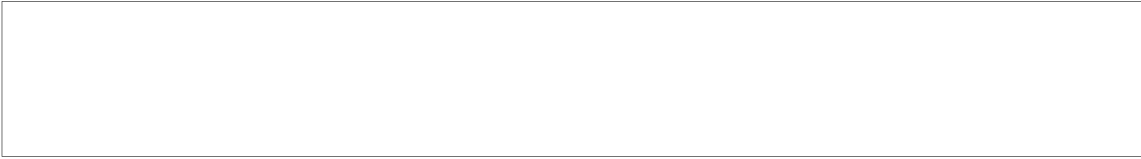
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SOVIET MILITARY ACTIVITY IN CUBA Page 7

The Soviet Union evidently intends to provide Cuba with a coastal defense system employing short-range missiles as well as a missile-equipped air defense system. One coastal defense cruise-missile site has been installed near Banes in Oriente Province, and similar sites probably are being or will be set up to defend other important ports and coastal areas.



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SOVIET MILITARY ASSISTANCE TO IRAQ Page 8

Under the terms of an agreement concluded last October, the USSR is committed to provide Iraq with such advanced weapons as surface-to-air missiles, jet bomber and fighter aircraft, and antitank guided missiles. Some of this equipment is being delivered this year, and the rest is scheduled for delivery during 1963 and 1964. Soviet military contracts with Iraq since 1958 amount to as much as \$350 million.



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SYRIA Page 10

A new cabinet has been formed under Khalid al-Azm, an astute politician and forceful executive. Its 21 members are so different in political orientation, however, that their ability to work together is questionable. Army leaders, who have long distrusted Azm, probably retain a veto over cabinet decisions; the army commander in chief is still in the cabinet as minister of defense. The government has promised to hold new elections within a year. The regime meanwhile will rule by decree.



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ALGERIA Page 11

Ben Bella's political bureau commands a substantial majority in the Algerian assembly elected on 20 September. Regional interests are likely to gain strength in the assembly, however, after the first flush of enthusiasm for Ben Bella wears off. The National Liberation Front, the erstwhile rebel organization, is to be reorganized as a political party. The military forces of the six wilayas are to be amalgamated with the former Army of National Liberation to form a smaller regular army.



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CONGO Page 12

Preliminary steps to implement the UN plan for Katanga's reintegration with the Congo are under way despite continuing evidence that Adoula's and Tshombé's mutual suspicions may thwart the plan and bring serious armed clashes. Adoula has voiced fear that the Congolese parliament may be "out to get him" and that it will not ratify the UN-drafted constitution he wants completed by the end of September. Minor clashes have recently occurred in North Katanga. Leopoldville has apparently dropped for the moment an effort to invade South Kasai to prevent Kalonji, the escaped Kasai secessionist, from joining forces with Tshombé.

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AFRO-MALAGASY UNION Page 14

The Afro-Malagasy Union--the organization of twelve African states which retain some political and strong economic and cultural ties with France--is becoming more active in inter-African and international affairs. Despite the group's relatively conservative outlook, a recent conference of the heads of its member states endorsed a program of support for militant African nationalists, including rebels against Portuguese and Spanish colonial authorities. Other African states showed considerable interest in this meeting, and Congo (Leopoldville), Rwanda, and Burundi may join the union during the next year.

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LAOS Page 15

North Vietnamese troops apparently remain in key areas in northern and eastern Laos. South Vietnam has recalled its ambassador from Laos in protest against the establishment of relations between Laos and North Vietnam, and formal severance of relations appears imminent.

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SOUTH VIETNAM Page 16

The vigorous military effort against the Viet Cong is contributing to a growing sense of confidence among South Vietnamese officials. Communist guerrilla activity has not slackened, however, and Saigon still faces widespread peasant resistance to its programs. Increased peasant participation in rural security measures has resulted partly from coercion. The low quality of some of the local leadership implementing the programs contributes to peasant disaffection.

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WEST NEW GUINEA Page 17

The Indonesian Government, concerned that a separatist movement could develop in West New Guinea, is making intensive preparations to ensure its control of the area. President Sukarno has implied that he will use stern measures if propaganda and economic concessions during the next six years fail to win over the native Papuans. The Dutch-Indonesian agreement of 15 August provides for self-determination of West New Guinea before the end of 1969.

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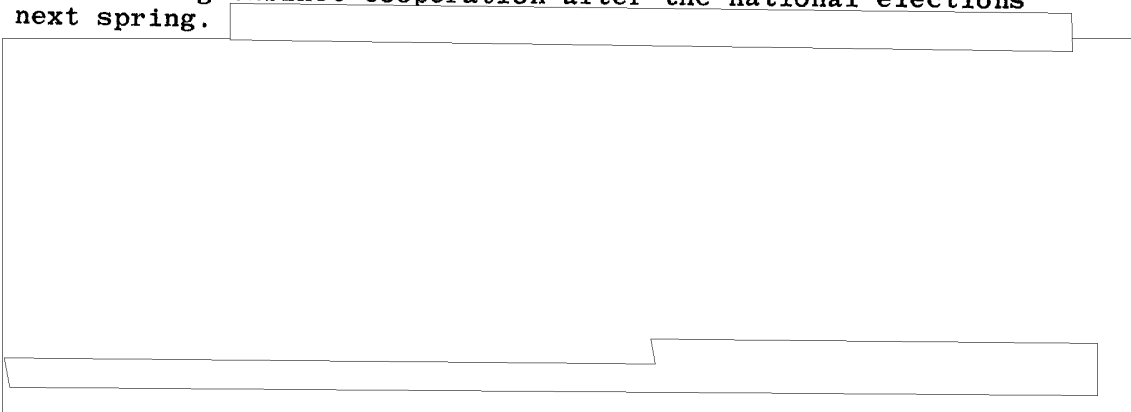
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THE NETHERLANDS Page 18

Parliament's recent debate on the West New Guinea settlement featured some expressions of bitterness over the US role in the agreement. Approval of the settlement, however, has removed a potentially disruptive political issue and has refocused foreign policy interest on European integration. The dominant Catholic People's Party and the opposition Labor Party appear to be laying the groundwork for resuming cabinet cooperation after the national elections next spring.

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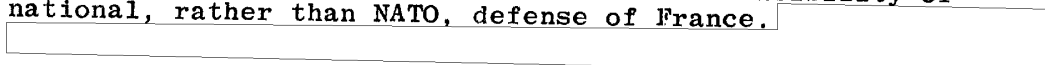


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FRENCH MILITARY MANEUVERS Page 20

France will hold its largest military exercise since 1939 during the first half of October. Some 50,000 army personnel, 1,100 aircraft, and at least 60 warships, will be involved. Designed in part to retrain returnees from Algeria in large-unit operations, the exercise reportedly was personally ordered by De Gaulle. It may be intended to furnish support for his theories on the feasibility of national, rather than NATO, defense of France.

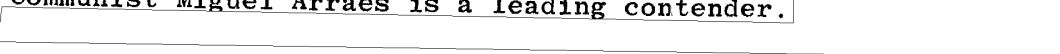
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BRAZIL Page 21

President Goulart and Congress have again compromised their differences over the locus of power, thus providing a breathing spell until the 6 January plebiscite on Brazil's constitutional system. Attention now is focused on the 7 October elections. Gubernatorial races in three states provide a test for left-wing forces, particularly in Pernambuco, key state of the impoverished northeast in which pro-Communist Miguel Arraes is a leading contender.

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CHILE Page 22

President Alessandri has apparently decided to delay currency devaluation until mid-October. In return the Radical Party, which is about to leave his coalition, may take an independent position rather than unite with the opposition. The Communist-dominated opposition continues to gain public support, and Chile's dispute with Bolivia over the Lauca River waters remains at an impasse.

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SPECIAL ARTICLES

THE EUROPEAN COMMON MARKET'S ENERGY POLICY Page 1

Ministerial representatives from the six European Common Market (EEC) countries will meet on 5 October to discuss a common energy policy--one of the major fields where agreement has not yet been reached on measures necessary to achieve an economic union by 1970. Agreement has hitherto been blocked by conflicting national interests--notably West Germany's coal industry, France's investments in Saharan oil development, and Italy's desire for cheap fuel. A common policy is not likely to be reached on 5 October, but some progress toward this goal has recently been evident. Present proposals envisage an energy policy less protectionist than those of most of the individual EEC countries which, if adopted, could benefit US oil and coal exporters. Britain has indicated it will participate in formulating and implementing a common energy policy if it joins the EEC.

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"BANTUSTANS" IN SOUTH AFRICA Page 9

The government of South Africa is stepping up the development of "Bantustans"--areas into which the country's Africans are supposed to be segregated and theoretically allowed to develop along their own lines. One such area has already received a measure of autonomy, and Prime Minister Verwoerd has said that all of them may someday become independent. These developments are designed mainly to impress the country's whites and to make the policy of apartheid more acceptable to its overseas critics. Verwoerd will be hard pressed to control the pressures among the Africans which the idea of "Bantustan" independence is bringing to the surface.

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

Although the USSR has declared a "pause" in Berlin talks, the Soviet leaders took steps last week to make it clear they have not retreated from their commitment to a unilateral settlement if negotiations later this year fail to produce results. Moscow the week before had observed that it would be "difficult" for Washington to negotiate during the campaign for the US congressional elections this November. Despite hints of a fixed timetable with a firm deadline, Khrushchev has kept open a number of alternative courses which suggest that he is not yet committed to a separate treaty in the immediate postelection period.

man "revanchists and militarists" and supporting Bonn's opposition to a "normalization" of the Berlin situation. The statement reaffirmed Moscow's intention to sign a separate peace treaty, "with all the ensuing consequences."

Berlin

Moscow also issued a TASS statement on 17 September reaffirming its position that the quadripartite status of Berlin ended in 1948 when the four-power Allied Kommandatura "ceased to operate through the fault of the three Western powers." The statement was in response to the Western communiqué of 23 August which stated that the abolition of the Soviet commandant's office in East Berlin could have no effect on either Allied rights or Soviet responsibilities in Berlin. Moscow denied the West's contention that Berlin remains a "single city" and renewed charges that West Berlin has been converted into a "NATO base" and that the Western commandants' offices "are in effect NATO Kommandaturas."

The TASS statement of 18 September denouncing alleged "collusion" between President de Gaulle and Chancellor Adenauer to block a Berlin settlement strongly suggests that Khrushchev sees little possibility of arranging a four-power conference to work out a Berlin settlement prior to the signature of a separate peace treaty. With this statement, Moscow abandoned its previous restraint toward De Gaulle and bluntly charged that the "Bonn-Paris axis" is planning "all kinds of adventures" against the Soviet bloc. TASS accused De Gaulle of encouraging West Ger-

Soviet authorities in East Germany complied last week with a second Western demand regarding Soviet access to the war memorial in West Berlin. On 14 September, ten days after they agreed to shift from the Friedrichstrasse entry point in the US sector to the Sandkrug Bridge in the British sector, they heeded Western instructions to revert to buses instead of armored personnel carriers for transporting their guards to and from the war memorial. These decisions not to contest Western instructions provide further evidence of Moscow's desire to maintain its presence in West

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Berlin, at least for the time being, and to avoid actions which might lead to a Western denial of Soviet access to West Berlin prior to probable future East German moves to block Allied military entry into East Berlin.

UN Tactics

Soviet propaganda on the eve of the General Assembly session which opened on 18 September reflected Moscow's intention to press a vigorous attack on alleged US "provocations" and "aggressive intentions" throughout the world. The basic themes were set forth in the 11 September statement alleging US plans to attack Cuba. Moscow radio asserted that the General Assembly has never met in such a "tense and complex" atmosphere created by US "provocative activities."

Although Soviet propaganda has stressed general and complete disarmament and the abolition of colonialism as the "two key problems" before the Assembly, Moscow has also listed as major agenda items the seating of Communist China, an atom-free zone in Africa, an international conference on world trade, withdrawal of foreign troops from South Korea, and an improvement in UN mechanisms.


There is no clear evidence that the Soviet delegation will revive Khrushchev's demand at the 1960 session that the office of the secretary general be replaced by a three-man "troika" executive organ. The USSR, however, probably will press for changes in the structure and composition of the Secretariat and other UN organs which will reflect the three basic groups in the UN--Western, neutralist, and Communist bloc.

The USSR has taken no position thus far on the re-election of U Thant to a full term as secretary general. Since the Russians recognize that they can expect no non-Communist support for their "troika"

scheme, they may revive last year's proposals for a single secretary general subject to the guidance of three deputies with veto powers representing the three blocs in the UN. They may also press for reorganizing the Security Council, ECOSOC, the international court, and other subsidiary UN bodies in order to give the three blocs equal rights and representation.

Propaganda Attacks on
US Military Bases

Iran's declaration of 15 September that it will not accord any foreign state the right to have rocket bases on its territory provides Moscow with a valuable weapon for pressing its campaign against US bases abroad. Moscow also obtained a public reaffirmation of previous statements by the Shah that his government "will never permit Iran to become an instrument of aggression against the territory of the Soviet Union."

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the USSR was prepared to accept a unilateral Iranian pledge, first offered in September 1959, to prohibit foreign missile bases of all kinds. Agreement on this issue had been blocked in previous negotiations by Moscow's insistence on a bilateral agreement, rather than a unilateral Iranian commitment, and by Soviet demands for an additional ban on all foreign military bases and troops. Moscow's concession on these points was timed to lend support and credibility to its warnings, in the UN and elsewhere, of the dangers facing countries which grant military bases to the US.

Moscow now is giving heavy publicity to Iran's statement, stressing that it has great importance not only for Soviet-Iranian relations, but also on a "broader international plane." Pravda stated on 17 September that Iran's example "indicates to other countries allied with

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the US a right way of safeguarding their security and peace." A broadcast to Japan called on the Tokyo government to emulate Iran's example.

Cuba

Although Soviet propaganda continues to warn that US preparations for aggression against Cuba have not ceased, Moscow acknowledged that President Kennedy made a number of "realistic" statements on 13 September. Its press welcomed "sober voices" in the US and said public opinion "noted with satisfaction" the President's statement that military intervention could not be justified at the present time. Pravda contrasted the "white-hot atmosphere" on Capitol Hill with the "cool atmosphere" at the President's press conference. Moscow, however, criticized the President's statement that the US will continue to support Cuban refugee groups and charged that the meeting of OAS foreign ministers requested by Secretary Rusk will be aimed at adopting harsher sanctions against Cuba.

Moscow has reported workers' meetings in various cities in the USSR to express approval of the 11 September statement on Cuba. Residents of Sakhalin were reported as ready to respond if the Soviet Government requests volunteers "to protect heroic Cuba."

Disarmament and Nuclear Test Ban

At the two sessions of the Big Three test ban subcommittee held since the Geneva disarmament conference went into recess, Soviet delegate Tsarapkin reiterated Moscow's standard positions. He contended that the current arms race and Western military preparations precluded any possibility of agreement on the basis of obligatory international controls because in the present situation such control and inspection on a state's territory could be

used for gathering intelligence. He claimed agreement was possible only through utilization of existing national detection means and alleged that this approach, as proposed by the Soviets in November 1961, had been recognized by the eight nonaligned powers and recorded in their memorandum of last April.

Tsarapkin stressed that only the cessation of all tests can check the proliferation of nuclear weapons to additional states. In a private conversation with a US delegate after the 14 September session, he argued that the US should think seriously about the proliferation problem because the exclusion of any environment from a test ban would almost inevitably lead "very soon" to an increase in the number of nuclear nations by ten or fifteen. He cited no countries by name.

Two days earlier the Peiping People's Daily appeared to reject any test-ban agreement which precludes Communist China's achievement of a nuclear capability. The article severely criticized the Western draft treaties for a comprehensive or partial agreement and failed to mention the Soviet draft treaty of November 1961. It argued that the US objective is to "tie China's hands in developing nuclear weapons" and make it easier for Washington to use nuclear blackmail "if it can prevent China and other socialist countries from possessing nuclear weapons." The article concluded by pointing out that a test cessation should be the "first step" toward a complete banning of nuclear weapons; only a complete ban and the unconditional destruction of all existing nuclear weapons, People's Daily argued, can prevent nuclear war.

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SOVIET INTERPLANETARY PROBE FAILURES

The USSR has apparently failed in three attempts in less than three weeks to send an interplanetary probe toward Venus. In the most recent launching, on 12 September, the space vehicle was placed into orbit around the earth but the payload failed to eject from the vehicle. Of seven attempts by the Soviet Union to launch interplanetary probes, six are considered failures and one only a partial success.

The first attempt, which occurred on 10 October 1960 while Premier Khrushchev was attending the UN General Assembly in New York, was probably a Mars probe. Both it and a similar operation four days later were failures. The Soviets were probably prepared to make propaganda use of these operations had they succeeded. No reference was made to the failures.

The third attempt was on 4 February 1961. Launch time indicated that the operation was a Venus probe. The payload was not ejected from the orbiting space vehicle which remained in orbit. When the Soviets concluded that the ejection operation had failed, they announced that they had placed a heavy satellite into orbit as a preliminary test for sending an auto-

matic interplanetary space station into orbit.

On 12 February 1961 the Soviets launched another Venus probe, again using the parking orbit technique.

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Some 18 hours after launch they announced that a Venus probe was on its way.

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Prior to the 12 September 1962 operation, the Soviets attempted Venus probes on 25 August and 1 September. Both of these failed in the same fashion when the payload was not ejected from the orbiting space vehicle.

Between mid-October and mid-November 1962, Mars will be in a favorable position for the launching of a probe. Although the USSR has thus far had little success in interplanetary probes, it is likely that it will make additional attempts, probably during this period.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****CHINESE COMMUNISTS INTENSIFY U-2 PROPAGANDA**

After a slow start Peiping late last week stepped up its exploitation of the 9 September U-2 incident, weaving charges of US responsibility for the overflight into a general campaign against "intensified US aggressive and war dispositions" throughout the world. A 14 September statement, which the Chinese termed "a formal protest" over the incident, charged that "war danger" exists wherever the U-2 goes. It characterized the flight over the mainland as a "criminal act of mad aggression" against China. The statement was accompanied by a salvo of documentary broadcasts tracing US development and use of the U-2 for "spy" activities.

The overflight, Peiping further charged, demonstrated that US assurances that it would not allow Chiang Kai-shek to invade the mainland were nothing but a "hoax." On the contrary, the Chinese declared, the flight showed that the US is "inciting and encouraging" a Chiang invasion. Peiping has also attempted to spur popular indignation over the episode, apparently hoping

to rally the public's flagging support for the Communist regime. The Chinese domestic press has focused on the incident, and popular rallies have been held throughout the country, all of which hit hard at the theme of US "culpability."

Probably piqued at Moscow's failure to offer more than token propaganda support on the issue, Peiping used the flight as the excuse to repeat many of its arguments on points in dispute with the USSR. According to the Chinese, the incident should be a lesson for people who retain "unrealistic illusions about US imperialism." Only by resolutely repulsing the "US aggressors," the statement declared, can the "warlike activities of the imperialists" be stopped and the independence of nations and world peace defended.

Peiping apparently intends to press its attack on the US over the U-2 flight in the Sino-US ambassadorial talks in Warsaw. The Chinese ambassador has asked for a special meeting, at which he will probably expand on Peiping's 14 September protest.

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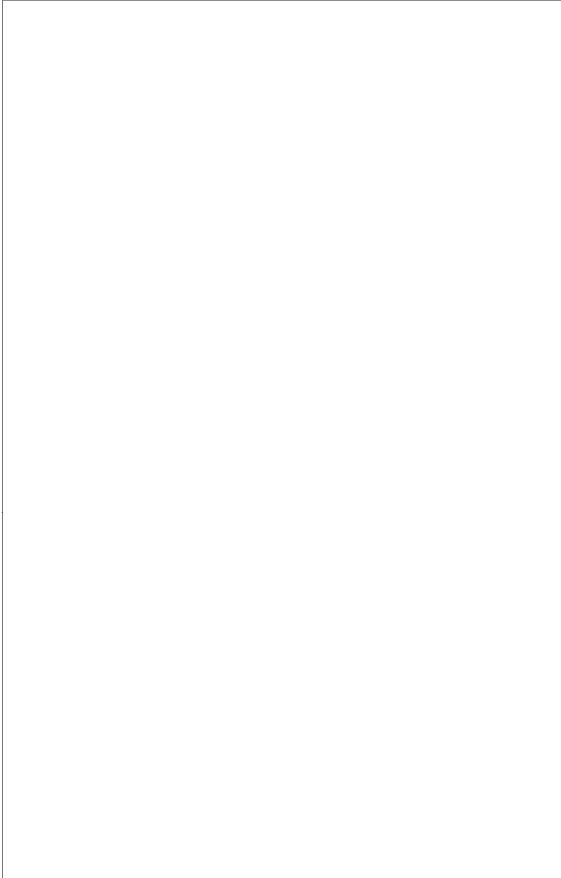
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SOVIET MILITARY ACTIVITY IN CUBA

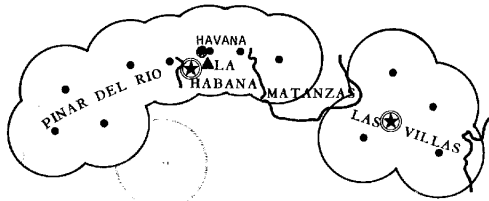
The Soviet Union evidently intends to provide Cuba with a coastal defense system employing short-range missiles as well as a missile-equipped air defense network.

One coastal defense cruise-missile site has been installed near Banes in Oriente Province, probably to defend the important ports and military and industrial facilities in the Nipe Bay area. The site has two revetted 35-foot rail launchers, each connected to a tracking radar. Although the range of this missile system has not been established, it is believed to be approximately 30 nautical miles.

Similar sites probably are being or will be set up to defend other key ports and coastal areas. A series of such sites, in conjunction with the Komar guided-missile boats recently delivered by the USSR, would greatly strengthen Cuba's ability to cope with sea-borne intruders.



MISSILE ACTIVITY IN CUBA, SEPTEMBER 1962



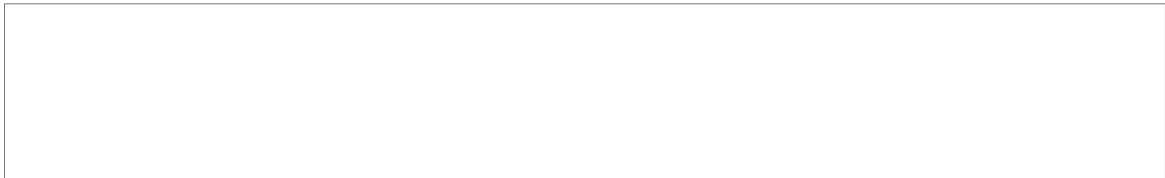
- Confirmed surface-to-air missile (SAM) site
- Possible SAM site, exact location unknown
- ▲ Support facility for processing equipment
- ✈ Airfield with MIG aircraft
- Probable coastal defense cruise-missile site
- ⤵ Effective air defense perimeter (estimated radius 20-25 nautical miles)



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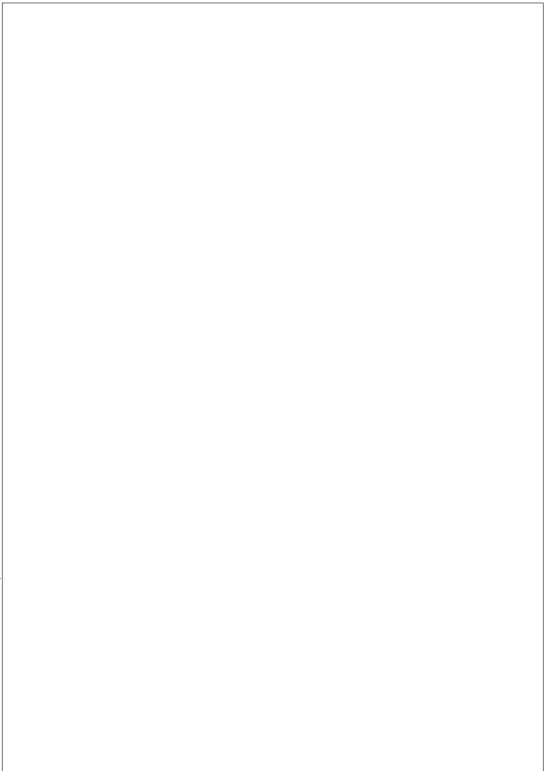
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SOVIET MILITARY ASSISTANCE TO IRAQ

Under the terms of an agreement concluded last October, the USSR is committed to provide Iraq with such advanced weapons as surface-to-air missiles (SAMs), antitank guided missiles, and combat jet aircraft--TU-16 (Badger) medium bombers and MIG-21 (Fishbed) interceptor fighters. Some of this equipment is being delivered this year, and the rest is scheduled for delivery during 1963 and 1964. The three Soviet military contracts signed with Iraq since 1958 amount to as much as \$350 million.



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In addition to these more advanced Soviet weapons, the

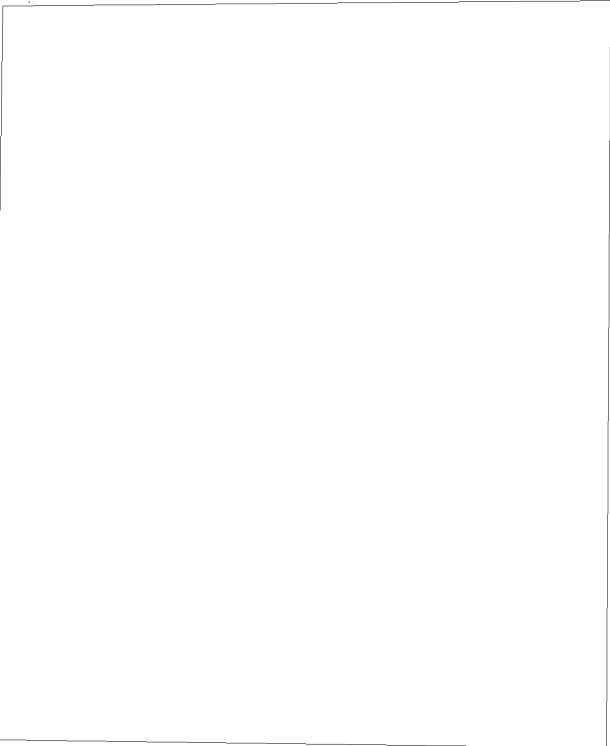
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October agreement also provides for the delivery of additional land armaments including T-54 tanks, and field and antiaircraft artillery and ammunition, as well as transportation, construction, and other military-related equipment.



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

Despite army opposition to the change, Syria's Bashir al-Azmah cabinet has been forced out by pressure from civilian political leaders. The new prime minister, Khalid al-Azm, is one of Syria's most astute politicians and a forceful executive. He is also a man whom even Syrians regard as without principles.

In French pay as long as it was politically profitable, Azm nimbly climbed on the pro-Soviet bandwagon in 1956. He was largely instrumental in consummating the first Syrian arms contract with the Soviet bloc and negotiated a large economic agreement in 1957. He joined the Communists in attempting to block the union with Egypt in February 1958. When the union was formed, he left the country and visited Czechoslovakia.

The wealthy Azm, however, is one of the country's largest landowners. He does not appear to be personally sympathetic to Communism, and his maneuvers seem designed simply to further his own political fortunes.

The 21-man "national front" cabinet appears too large and includes elements from such a wide political spectrum that it will have difficulty working together.

On the left are four supporters of Akram al-Hawrani's socialistic Baath Party, plus at least two other individuals with socialistic outlook. On the extreme right are three

members of the reactionary Muslim Brotherhood. President Qudsi's moderate Populist Party holds five portfolios. The key Ministry of Defense post has been retained by Army Commander in Chief General Zahr al-Din.

The remaining cabinet members are technicians, with the exception of former Prime Minister Azmah, a moderate socialist, who has become deputy prime minister. Six members of the new cabinet are holdovers.

Army opposition to the change of government evidently was overcome only after prolonged negotiations. Parliament --which has been prorogued since the army coup last April--agreed as part of the final deal to amend the constitution to allow itself to be dissolved legally. In return, the government has promised new elections sometime within the next year. Meanwhile, Azm and President Qudsi will rule by decree.

The upshot of the affair seems to be that the army has relieved itself of the embarrassment of the constitutional violation committed when it closed down the parliament. At the same time the army has relieved the country of a legislative body which did not represent the public's present political mood. The military are almost certain, however, to keep a tight rein on Azm, whom they regard with suspicion.

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

The election on 20 September of an Algerian assembly-- from an unopposed list of 196 candidates picked by Ben Bella's political bureau--was designed to produce a 70-percent majority supporting the political bureau. However, the list was allowed to include a few persons opposing Ben Bella, of whom Belkacem Krim is the most prominent. This fact and the tendency of many delegates to favor regional interests--especially in the Constantine and Kabylie areas--will encourage new divisions.

Ben Bella has said that the assembly is faced with a three-fold task: the creation of a new state, formation of a political party which will be a policy guide for the new nation, and unification of the army for defense and "civic action." He sees the establishment of security as the principal immediate job of the administration in the postelection period.

The National Liberation Front, the erstwhile rebel organization, is to be reorganized as a political party. As the first step in Ben Bella's program the political bureau is to convene a party congress to form a central committee and national council. A new political bureau will also be named at this time. Simultaneous membership in both the political bureau and the

government will be allowed but, according to Ben Bella, this will be "limited."

On 30 September the National Council of the Algerian Revolution (CNRA)--the parliamentary body which formally directed the rebellion--will meet, but, again according to Ben Bella, the political bureau does not need the CNRA's endorsement of its actions.

A new military council is to replace the army general staff. The council's purpose is to form a new regular army by amalgamating the semi-guerrilla forces of the six wilayas and Col. Boumedienne's "frontier army"--the former Army of National Liberation, now called the National Popular Army. In the process, the total number of troops would be reduced to 35,000 from about 130,000. The council will include Boumedienne but not his subordinates. The army is also to drop the political activities it carried on during the war.

The government is expected to draw heavily on the army to get its public works program going. Some 70 percent of the Algerian labor force is unemployed, and this program appears to be the principal means the government has in mind for relieving the situation.

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

Preliminary steps to implement the UN plan for Katanga's reintegration with the Congo are under way despite continuing evidence of mutual suspicion between Adoula and Tshombé that may thwart the plan and bring serious armed clashes.

Adoula has issued decrees relating to the payment of foreign exchange to the central government and to the establishment of a unified system of currency. A delegation of UN aides and of representatives appointed by Adoula to serve on the financial and military commissions has arrived in Elisabethville to begin discussions. Tshombé has not yet appointed his representatives, but an early response is expected.

Tshombé's [redacted] statements give increasing evidence that he will stall on military and financial integration pending the production of what he considers an acceptable constitution. He has emphasized that he accepted the UN plan only because it promised a federal constitution--which he says must be very flexible.

Adoula has invited the provinces to submit their views on the constitution, but has angrily rejected Tshombé's suggestion that a Katangan constitutional specialist meet with

the UN experts drafting the document. Insisting that Katanga could not have preferential treatment, Adoula has expressed fear that Tshombé might succeed in having each step toward integration depend on prior discussion, agreement, and even ratification of every one of the 220 articles in the current constitution draft.

Adoula for the first time has expressed to UN Chief Representative Gardiner his doubts that he can get the constitution through Parliament, which he considers "out to get him." The premier now is considering the device of first presenting the draft to the provinces. He has asked the UN experts to complete their work by the end of September.

Belgian and British officials, meanwhile, have voiced concern that the UN is pressing ahead much too rapidly with its integration plans. They fear that Tshombé may be given plausible pretexts for not cooperating. Belgian Foreign Minister Spaak told Ambassador MacArthur that "forceful action" by the UN at the present "most critical period" might precipitate a resumption of hostilities which would be disastrous for UN and Western policy.

Tshombé has sought to interpret the 12 September clash

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

between a UN patrol and Katangan gendarmes near Elisabethville airport as a demonstration of the UN's "bad faith." The circumstances indicate that both sides bear responsibility. Gardiner has told Ambassador Gullion that the UN has no intention of agreeing to limit the freedom of UN patrols in Elisabethville or around the airport--which is vital to the UN position.

Limited clashes between Katangan and central government units in the Kongolo area of North Katanga have occurred recently. Tshombé's charge that a major Congolese Army offensive is under way in the area is not confirmed; however, he may hope that his charge will head off such a move. He has sent mercenaries and Katangan forces northward to block any Congolese Army move to the south.

Military action is also possible in South Kasai as

a consequence of Adoula's anger at "King" Albert Kalonji's escape from jail and his fear that Kalonji will join up with Tshombé. Adoula ordered the occupation of Bakwanga, Kalonji's capital, but army commander Mobutu favors concentrating on the Katangan problem and has vacillated on executing the order.

Foreign Minister Bomboko indicated on 18 September that Adoula had dropped the plan. Later reports indicate, however, that some military preparations were still going on.

If Tshombé does in fact attempt a rapprochement with Kalonji--as he is reported to be planning--Leopoldville may still feel it must act.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

AFRO-MALAGASY UNION

Developments at the conference of the heads of state of the 12-member Afro-Malagasy Union (UAM), held at Libreville, Gabon, 10-13 September indicate that this group is likely to play an increasing role in African affairs. The UAM states--commonly called the Brazzaville group--have retained strong ties with France since they became independent two years ago; they founded their union in 1961 at Tananarive, capital of the Malagasy Republic. Their concern for such "safe" subjects as developing common cultural and economic institutions and improving defense cooperation accords with the emphasis of the "Monrovia powers" group, of which they form the core.

The recent conference, however, took a strong political line. Its communiqué urged support of rebel movements in Portuguese and Spanish African territories, called for the expulsion of Portugal and South Africa from the UN, and asked that the UN General Assembly discuss the problems of Angola and other Portuguese and Spanish dependencies. Although some UAM leaders have sympathized with Katanga,

the conference endorsed the Adoula government and, according to Congolese Foreign Minister Bomboko, approved the International Court decision that all states should pay the special UN Congo assessment.

This line is probably intended to steal some of the thunder from the "Casablanca group" of radical African nationalists; it would seem to indicate that the UAM's 12 UN votes will go to radical proposals when colonial issues are discussed in this session of the General Assembly. On other issues such as the admission of Communist China, the UAM apparently will take a pro-Western stand, even though some individual states favor a more neutralist course.

The emphasis of the conference, however, was economic. Several joint economic projects were ratified, and it was decided that, in negotiations between the UAM and the European Common Market, the UAM would continue to demand \$810 million in economic assistance over a five-year period rather than accept the \$700 million offered by EEC. Furthermore, the UAM, whose agricultural exports to France are subsidized by Paris, wants a higher ratio of price support to development assistance money that EEC has proposed. The conference also approved creation of an inter-African development bank and an African institute of scientific research.

Other African states, some of which have been hostile to the UAM, showed considerable interest in the meeting. Most of the Casablanca group sent cordial "greetings" and Guinea's Sekou Touré sent an observer. The three former Belgian dependencies sent high-ranking officials and seem likely to join the UAM. 25X1 Rwanda reportedly will join this year, followed later by Burundi and Congo (Leopoldville).



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CURRENT INTELLIGENCE WEEKLY SUMMARY

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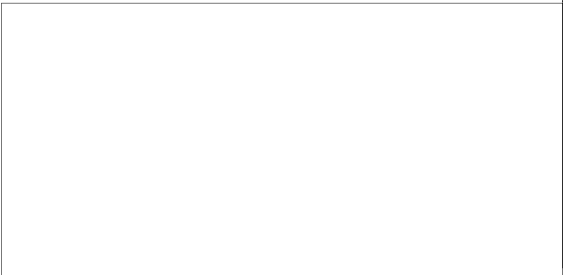
LAOS

There are continuing indications that North Vietnamese troops remain in key areas of northern and eastern Laos. Souphannouvong, who privately concedes the presence of "some" North Vietnamese personnel within Laos, has told an American official that they would be withdrawn "before the end of this month." Irrespective of the withdrawal deadline of 7 October, however, some North Vietnamese troops probably will be integrated directly into Souphannovong's Pathet Lao forces. Premier Souvanna Phouma has admitted that some North Vietnamese personnel are seeking to conceal themselves among the Pathet Lao.



South Vietnam has recalled its ambassador from Vientiane in protest against the establishment of diplomatic relations between Laos and North Vietnam and formal severance of relations appears imminent. On 18 September, Souvanna told Ambassador Unger that the King has approved agreement for the North Vietnamese ambassador and expressed his belief that Hanoi's representative would arrive in a week's time.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

SOUTH VIETNAM

The vigorous military effort being pressed against the Viet Cong is contributing to a growing sense of confidence among South Vietnamese officials. The mobility of South Vietnamese forces is helping to overcome the obstacles presented by the wide dispersal of Viet Cong elements and their tactic of avoiding major combat.

While the government has scored several tactical successes, widespread guerrilla activity continues. The number of hostile actions has actually increased in recent weeks.

Peasant resistance continues to be a major obstacle to the government's programs. Officials admit that at the village level there is widespread dislike of Saigon's projects, particularly the Self-Defense Corps--originally intended to be the backbone of rural defense. Bombardment of civilian areas by government forces during operations against the Viet Cong is also a source of resentment.

The government has made considerable effort to gain

more popular support, especially among mountain tribesmen of central Vietnam, and peasants are participating more in programs for achieving rural security. Nevertheless, the extent of voluntary commitment to Saigon's cause is uncertain, and coercion has been necessary for at least part of the expansion of the strategic hamlet program and "clear and hold" operations-- province rehabilitation projects.

The wide scope of these programs, moreover, is taxing the central government's capability, and implementation depends largely on local leadership. In some areas this leadership is of low quality and contributes to peasant disaffection.

While the outspoken dissatisfaction with the Diem regime of last year has disappeared, criticism by non-Communist Vietnamese continues to be heard.



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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****WEST NEW GUINEA**

The Indonesian Government is concerned that a separatist movement could develop in West New Guinea which would demand either independence or a special autonomous status within Indonesia. Djakarta accordingly is making intensive preparations to ensure its permanent control of the territory. The Dutch-Indonesian agreement of 15 August provides for self-determination of West New Guinea before the end of 1969.

Djakarta hopes to assert considerable influence in West New Guinea starting on 1 October, when the UN administration begins, even though Indonesia is not scheduled to administer the area until 1 May. Under the August agreement, the UN has authority to employ personnel provided by Indonesia, and Djakarta will probably make available individuals in a variety of fields for UN consideration. Sukarno also plans to take advantage of the fact that, as of 1 October, civilian traffic to and from New Guinea will be unrestricted.

Foreign Minister Subandrio, who is coordinator for West New Guinea affairs, announced in mid-September that basic Indonesian plans for the "extensive development" of West New Guinea had been completed and only awaited implementation. Sukarno has called for 2,500 teacher volunteers whom he

wants to send to the territory as soon as possible. Sukarno is also counting on settling large numbers of Javanese in West New Guinea over a five-year period in order to overwhelm native sentiment for autonomy.

To the surprise of Indonesian soldiers who infiltrated New Guinea last spring, the native Papuans did not welcome them and for the most part turned them over to the Dutch. Of the eight miniscule political parties in West New Guinea, only one is willing to see the territory merged with Indonesia. Papuan leaders residing outside New Guinea, whom Djakarta has cultivated over the years, are strong advocates of autonomy and are in contact with Papuan nationalists within the territory. Indonesian officials probably are also worried over the provision in the August agreement that the local New Guinea Council, elected in March 1961, is to be consulted during the UN administration before the issuance or amendment of any laws or regulations.

Sukarno hopes to win preponderant Papuan loyalty, however, through propaganda and economic development and wants to have made significant progress by 1 May.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****THE NETHERLANDS**

The Dutch Parliament's approval of the accord with Indonesia settling the dispute over West New Guinea removed a potentially disruptive political issue. Although the government was never directly threatened by the issue, there was always the possibility that ministers advocating a harder line toward Djakarta--notably Foreign Minister Luns and Defense Minister Visser--might resign and force a reconstruction of the cabinet--now made up of four right-of-center parties of which De Quay's Catholic People's Party (KVP) is dominant.

During the parliamentary debate earlier this month, there were sharp attacks against the US by representatives of the government parties bitter over the US role in the negotiated settlement. While this resentment is not expected to damage US-Dutch relations, certain Dutch officials may on occasion prove to be less cooperative than in the past on problems of mutual concern.

The Hague has already advised UN Acting Secretary General Thant of its willingness to continue economic aid to West New Guinea and has offered to contribute \$10 million annually for the next three years for this purpose. The settlement also paves the way for an eventual restoration of diplomatic relations with Indonesia--broken off in 1960. Dutch economic interests believe that once this step has been achieved, it will facilitate an expansion of trade and investment, as well as a settlement of claims for property seized by Indonesia--estimated to total \$2 billion.

With the settlement of the West New Guinea dispute, which

has preoccupied the government and public opinion for the past year or more, European integration questions have again come to the fore. The Dutch are particularly anxious to assure Britain's broad participation in steps toward economic and political union and, like the other Benelux countries, are uneasy about the prospect of a united Europe dominated by France and West Germany. Dutch public opinion has strongly supported the government in its opposition to separating the goals of an economic and political union.

On the domestic front, the government parties and the opposition Labor Party are maneuvering in preparation for the national elections next spring. Although it appears that the present four-party coalition will serve out its normal term, both the KVP and Labor seem to be preparing the ground for resuming their pre-1959 cabinet cooperation.

Labor, as a middle-of-the-road socialist party strongly supporting the Netherlands' NATO and Western ties, is in basic agreement with the KVP on foreign policy and defense matters. They are often at odds on a number of specific domestic issues such as wage policy and the scope of social welfare, but even here there is a wide community of views.

A factor in Labor's desire to regain cabinet representation is the realization that its general postwar success and acceptance by approximately one third of the Dutch electorate is directly related to its past record as a government party. During the past three years it has discovered that the role of opposition party is not an easy one when its views on most major problems coincide with those of the government.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****FRENCH MILITARY MANEUVERS**

France will hold its largest military exercise since 1939 during the first half of October. Some 50,000 army personnel, 1,100 aircraft, and at least 60 warships of the French Mediterranean Squadron will be involved. Designed in part to retrain returnees from Algeria in large unit operations, the exercise reportedly was personally ordered by De Gaulle. It may be intended to furnish support for his theories on the feasibility of national, rather than NATO, defense of France.

Three major parts of the exercises are identified in an Armed Forces Ministry communiqué. In eastern France 30,000 men and 800 combat aircraft will maneuver under simulated nuclear warfare conditions in large units with modern equipment. Another 20,000 men and 300 aircraft will practice interior defense against guerrilla forces and airborne invaders in the Massif Central region. A naval-air exercise in the Mediterranean will test maintenance of overseas lines of communication, primarily against submarine attack.

A few reserve units will join active duty forces in the maneuvers, and civil authorities are to play an important role in the interior defense phase. General Norstad has agreed to the withdrawal of one mechanized brigade of about 8,000 men from Germany during the exercise period. No Allied military per-

sonnel will take part, but foreign observers will be allowed to attend.

Nearly 200,000 men have been brought back from Algeria since March. Many of these were draftees who have already been released from active duty as the government moves to cut army strength from more than 700,000 to 450,000 by 1970. A considerable number, however, are professional soldiers who have had little recent experience outside of the guerrilla operations of Indochina and Algeria. The maneuvers are designed to mix returnees with units already well trained in techniques of combat in Europe. De Gaulle probably expects the maneuvers also will prove useful in building military confidence and re-orienting the returnees to their new "European" task.

The maneuvers may also have broader political ramifications. Gen. Jean Le Comte, the senior French military officer at SHAPE, told a US Embassy officer that the exercise is intended to demonstrate the feasibility of defending territory after the NATO line of defense in Germany had been breached by a Soviet attack. Le Comte said he expected the results of the exercise will be used by De Gaulle to support his concept of the defense of France.

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

Recent political compromises in Brazil have strengthened President Goulart's political position for the next several months. On 15 September the Congress set 6 January as the date for a plebiscite on the parliamentary system adopted to curb Goulart's power when he took office a year ago. Congress also empowered him to name a provisional cabinet without parliamentary approval, an arrangement which allowed the legislators to resume campaigning for the 7 October elections.

The plebiscite is generally expected to result in restoration of a strong presidency. Political attention now is focused on the balloting for two thirds of the Senate, the entire Chamber of Deputies, eleven state governors, and a number of lesser state and municipal offices.

The elections are expected to result in some diminution of the archconservative majority in the legislature. Extreme leftists, who have some 20 percent of the seats in the Chamber, are likely to make some gains. Goulart's anti-US brother-in-law, state governor Leonel Brizola, who aspires to leadership of the leftist nationalist forces in Brazil, is likely to be elected as federal deputy. The Brazilian political system, however, has built-

in resistance to sharp swings of the political pendulum, and there is little chance that the leftists will win a majority in either house of Congress.

The three most important gubernatorial races are in Goulart's home state of Rio Grande do Sul, the industrial state of Sao Paulo, and in Pernambuco, the key state in the impoverished northeast. In Rio Grande do Sul the race is among three candidates, each of whom is less leftist than incumbent Governor Brizola. Goulart's Labor Party candidate Michaelson appears to be trailing both the conservative candidate and a non-Communist reformer.

In Sao Paulo, the race appears to be very close between corrupt machine politician Adhemar de Barros and erratic former President Quadros. In Pernambuco, pro-Communist Miguel Arraes appears to be losing ground to his strongly conservative opponent.

If Michaelson, Quadros, and Arraes all are defeated, the left-wing threat--which has appeared increasingly menacing during the past year--will recede, and moderate pro-US former President Kubitschek believes it will then be possible to remove Communist infiltrators from many of the offices where they now are installed.

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

President Alessandri of Chile appears to have decided on one more month of delay before currency devaluation, in spite of the repeated recommendations by a committee of the International Monetary Fund for immediate action.

After eight months of debate and maneuvering over the unpalatable but necessary step, the government last week appeared ready to devalue but stopped short when the four cabinet members who represent the Radical Party (PR) in the coalition submitted their resignations in protest.

The PR holds its national convention in mid-October, and is expected to vote to withdraw from the coalition at that time. Alessandri has been informed by PR leaders that they will feel forced to join the opposition if their withdrawal is precipitated by devaluation, which the PR has adamantly opposed. The underlying motivation for withdrawal, however, is to gain freedom of action with a view to the next round of elections. PR leaders have implied that if their move is not obviously in protest over Alessandri's policy, the party will be able to maintain an independent and uncommitted position permitting a measure of legislative cooperation with the President.

The PR favors legislation to raise wages, which commands a majority in Parliament even without PR support. Alessandri has vetoed such bills as inflationary, and would probably welcome any agreement under which the PR will continue to abstain from moves to override his vetoes.

Chile's precarious economic situation was underscored by two developments during the past

week. The government increased duties on imports in an effort to conserve foreign exchange, and also entered into a barter agreement with Hungary for the importation of sugar in exchange for Chilean agricultural goods.

The governing coalition was heartened somewhat by its candidate's victory in the 2 September by-election in Santiago to replace a deceased congressman, but the Communist-dominated Revolutionary Front (FRAP) made significant gains over its showing in previous elections in the same district. The FRAP's presidential candidate, Socialist Senator Salvador Allende, gave Alessandri a close race for the presidency in 1958, and appears to feel confident of victory in 1964. If the process of disintegration in the governing coalition is not reversed before the 1964 campaign begins, a FRAP victory is almost assured.

The Chilean Foreign Ministry has been under some pressure from other members of the Organization of American States (OAS) to be more flexible in its dispute with Bolivia about the use of the waters of the Rio Lauca. Bolivia, which is making no use of the water but wants a Chilean guarantee of free access to the Pacific, insists that the dispute be submitted to arbitration and that diversion of the water be stopped pending a decision. Chile is willing to take the case to the International Court of Justice, but will not suspend its Lauca operations in the meantime. Early in September, Bolivia suspended participation in the OAS when that body did not support Bolivia's case. Chile had threatened the same move earlier in the year.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**SPECIAL ARTICLES**THE EUROPEAN COMMON MARKET'S ENERGY POLICY**

Ministerial representatives from the six European Common Market (EEC) countries will meet on 5 October to try to reach agreement on the basic outline of a common energy policy. Since 1957, agreement has been blocked by conflicting national interests --notably West Germany's coal industry, France's investments in Saharan oil development, and Italy's desire for cheap fuel, including Soviet crude oil. Development of a common policy would be a major step toward the economic union planned by the EEC. Final agreement is not likely to be achieved at the 5 October meeting, but there is a general consensus that progress must be made soon in view of the accelerated implementation of the EEC in other respects.

Problems Involved

Great Britain's application to join the Coal-Steel Community (CSC) and EURATOM as well as the EEC has increased both the urgency and the difficulty of working out a common energy policy. Britain produces almost as much coal as all the present EEC countries together. British companies also control a substantial portion of the oil output of the Middle East, which furnishes an increasing share of Europe's energy needs.

The Continental energy producers are apprehensive over the increased competition which would result from British entry, but hope that a common policy can be devised which would keep this within acceptable limits. Britain has indicated it will participate in formulating and implementing a common energy policy if it joins the EEC.

Imported petroleum in recent years has become the least expensive source of energy in the EEC countries. Hydroelectric

power contributes a substantial portion of energy resources only in Italy and France, and production is expected to remain roughly at present levels until at least 1970. Coal, still the main source of energy and available in quantity domestically in Western Europe, has become relatively more expensive than fuel oil.

Coal industries and labor unions in the major producing countries, however, have long held political influence and have pressed protectionist policies on their governments. The protectionists have clashed head-on with advocates of "cheap energy," who argue that, for the EEC to remain competitive with other trading areas of the world, fuel costs--an element in the production of almost all goods--must be kept low.

Another difficulty in working out a common energy policy has been organizational. Responsibility for energy matters is split among the three European communities. The Coal-Steel Community (CSC), the first of the six-nation organizations, was established in 1952. With its jurisdiction in the energy field limited to coal, it has a natural vested interest in the future of the coal industry and some of its officials have shown strong protectionist tendencies.

Atomic energy is under EURATOM. Set up in 1957 when the Suez crisis had suggested the need for a crash atomic energy program, EURATOM at present plays only a minor role in European energy problems. Its importance will increase after 1970 as atomic power begins to develop.

Oil and oil products fall under the jurisdiction of the EEC, whose officials have tended

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to emphasize the benefits the six nations' combined economies can expect from a "cheap energy" policy.

Slow Progress 1957-1961

In 1957 the Common Market countries set up an interexecutive Energy Working Group to work out a common energy policy. It is chaired by a representative of the CSC's High Authority, and has members from the EEC Commission and from EURATOM.

Until early 1962 the Working Group made little progress. West German and Belgian interests fought to protect their high-cost coal production. France insisted that any agreement should assure a market within the EEC for France's developing oil industry in the Sahara, even if Saharan oil were more expensive than Middle East oil. Italy opposed any proposals which would restrict the import of low-priced Soviet oil.

A measure of the disagreement is the difficulty in reaching tariff agreement on petroleum products. Of the 30 categories of goods listed in the original EEC Rome Treaty of 1957 on which a common external tariff was to be decided by later negotiation (the List G), petroleum products other than crude oil are the only category still not negotiated.

In early 1962 the tempo of progress toward a common energy policy began to increase. This has resulted in part from general realization that greater progress was essential if agreement was to be reached within the EEC's 12-15-year transition period. There was also concern that British entry would create a whole new series of problems.

The faster pace also reflects the personal influence of EEC Commissioner and Vice President Robert Marjolin. The US Mission to the Economic Communities comments that he is becoming the "Mr. Energy" of the communities, and that his activities have contributed to the

**EUROPEAN ECONOMIC COMMUNITY ENERGY CONSUMPTION
1960 - 1962**

(MILLION METRIC TONS OF HARD-COAL EQUIVALENT)

	1960	1961	1962 (ESTIMATED)
Hard Coal	251.3	246.8	242.5
West Germany	128.5	124.0	120.0
France	67.5	67.8	68.9
Italy	10.9	11.1	10.9
Belgium	24.6	24.1	23.2
Netherlands	15.5	15.4	15.4
Luxemburg	4.4	4.4	4.1
Lignite	35.2	36.4	36.5
West Germany	33.0	33.7	33.7
France	1.4	1.7	1.8
Italy	0.6	0.6	0.6
Belgium	0.1	0.1	0.1
Netherlands	0.2	0.2	0.2
Luxemburg	0.1	0.1	0.1
Petroleum	132.4	152.2	171.7
West Germany	42.1	51.9	60.0
France	36.2	39.8	44.2
Italy	28.7	32.9	37.3
Belgium	9.9	11.0	12.2
Netherlands	15.2	16.2	17.6
Luxemburg	0.3	0.4	0.4
Natural Gas	13.7	15.5	17.1
West Germany	0.9	1.0	1.2
France	4.0	5.6	6.5
Italy	8.3	8.5	8.9
Belgium	0.1	0	0
Netherlands	0.4	0.5	0.5
Luxemburg	0	0	0
Hydroelectric power	42.3	42.4	43.4
West Germany	6.8	7.5	7.7
France	16.2	15.5	15.2
Italy	19.1	19.4	20.4
Belgium	0.1	0	0
Netherlands	0.1	0	0
Luxemburg	0	0	0
TOTAL	474.9	493.3	511.1

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weakening of the CSC's protectionist views on coal.

After working through the spring, the Interexecutive Energy Working Group reached agreement in June on a proposal setting forth the basis for a common energy policy and listing the transitional measures necessary to achieve a common policy by 1970. The proposal reflects acceptance by the Working Group of most of Marjolin's "cheap energy" views.

The proposal was discussed briefly and noncommittally at one meeting of CSC ministerial representatives in July and will be considered in detail by the ministers on 5 October. Whatever common energy policy is finally agreed upon is likely to resemble this proposal, but some concessions to protectionist interests may be included.

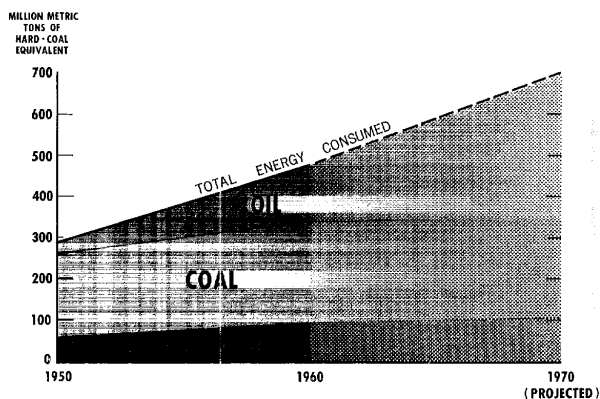
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EUROPEAN ECONOMIC COMMUNITY

**TRENDS IN ENERGY CONSUMPTION
1950-1970**

* Includes natural gas, lignite, and hydroelectric power. The estimates for natural gas do not take into account recent discoveries of large natural gas deposits in northern Netherlands, which between now and 1970 will probably increase the share of natural gas in the EEC's fuel balance. This chart also includes no data on atomic energy, the amount of which is expected to be insignificant until 1970.



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Present Proposal

Energy consumption in the EEC countries is expected to rise by 60 percent between 1960 and 1970. The basic premise of the Working Group proposal is that this increase must be met primarily by expanded oil imports. Low-cost energy is the goal, and after the transition period there should be free movement of energy within the community. Coal production is not expected to increase, and it may slowly decrease; the proposal does not specify the precise level of coal production to be maintained for the future.

Imports of both oil and coal into the EEC would be tariff-free, with direct subsidies being given to coal producers to assure the desired level of domestic coal production. The rationale here is that subsidies would allow the price of domestic coal to be lowered to that of the cheapest fuel--imported oil or US coal. This is considered preferable to restricting imports of fuels--a policy which would force the basic energy price up to that of the least efficient European coal producer.

On the question of security of supply in wartime, the Working Group's proposal tries to counter the arguments of coal protectionists by pointing out that in a general conflict, the community's coal mines would be as vulnerable as imported supplies. The only

security hazards for which plans can be made are political troubles in certain oil-producing areas such as the Middle East, or an artificially arranged rise in oil prices. The Working Group recommends diversification of oil supply sources as the main answer to these threats.

While conceding that subsidized coal production will remain one element in supply security, the Working Group also foresees that some assistance might be given to oil sources such as the Sahara, which from a security standpoint may be more reliable, although more expensive, than the Middle East. In addition, recent discoveries of large natural gas deposits in Europe, particularly in northern Netherlands, are expected to improve long-range supply security.

Under the present proposal there would be community-wide quotas on imports of oil and coal from the Soviet bloc, to ensure that such imports would not rise to a level which would place the EEC in a position of dependence on the bloc. The size of the quotas would be fixed each year by agreement among the Six.

Present and Future Problems

Agreement on the proposed common energy policy and the transitional measures to be undertaken during the next six

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to seven years may be as difficult to reach as was the agreement at the start of 1962 on the EEC's common agricultural policy.

Both West Germany and Belgium have expressed concern that the Working Group's plan would sacrifice their coal mines "on the altar of cheap energy," and the whole plan could founder in disagreement over the level of coal production to be maintained. The Working Group foresees an eventual annual production total for the six present EEC members of somewhere between 100 million metric tons and the 1961 level of nearly 250 million tons. If the coal interests are successful in pressing for a level at the upper end of this range, the economic benefits of cheap energy would be partially offset by the expense of government subsidies. The CSC High Authority has recently estimated that if the community wishes to maintain coal production at 200 million tons a year, it would cost approximately one billion dollars a year in subsidies.

France's insistence on a favored position for its Saharan oil may be satisfied by the Working Group's proposals. Britain's prospective membership complicates this issue, however, since London sees no reason why Saharan oil--merely because it comes from former French territory--should be favored over oil from British companies in the Middle East. Dutch and other international oil interests can be expected to support Britain.

various protectionist groups may join forces in an effort to scuttle plans for a meaningful energy policy. In return for support on Saharan oil, France might support the German coal industry's claims for protection. Or again, a three-way deal among Britain, France, and West Germany has been suggested, whereby all three countries

would support Britain's desire to continue excluding cheap US coal imports, France's desire to keep British coal out of French coastal regions, and West Germany's desire to weaken or eliminate the present anti-trust regulations of the CSC.

Italy's National Hydrocarbons Agency (ENI) and its chief, Enrico Mattei, also pose a continuing problem for the projected common energy policy. Mattei appears unwilling to submit to any community-wide controls on oil imports from the Soviet bloc, and his influence in the Italian Government is so great that he for practical purposes determines Italy's oil policies.

None of these problems is insurmountable as long as the basic desire among the Six to make the Common Market work continues. The technique of keeping negotiations in session until agreement is reached has been developed to a fine degree by the EEC Commission and ministers. Unless a major rift develops within the Common Market on such questions as British accession or political union, the basic desire for agreement will continue and a common energy policy may be worked out, following hard bargaining, within the next year.

Effect on the US

A Common Market energy policy similar to that now under discussion would probably be less protectionist than the national policies of the six EEC members. Exports of US coal and of American-owned oil companies should have greater access to the West European market than they have at present. It is likely, however, that the compromises made in the negotiations on a common energy policy will be in the direction of greater protectionism. Such compromises would correspondingly reduce the prospects for an expansion of US exports.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****"BANTUSTANS" IN SOUTH AFRICA**

In its efforts to make its apartheid policy as credible as possible, the South African Government is stepping up the development of "Bantustans"-- areas into which the country's Africans are supposed to be segregated and theoretically allowed to develop politically along their own lines. The apartheid program of South Africa's Afrikaners has always been a mixture of logic and irrationality, and the Bantustan idea is no exception.

Apartheid

The motivating force of apartheid is the fear of the narrow, ingrown Afrikaner community that it will be swamped by the other cultures surrounding it. According to the program, the only way to keep from being overrun is to put each race in its own "national homeland" and discourage uncontrolled inter-area contacts--in other words, to extend to the other races the life which the Afrikaner community holds as its own ideal.

Not all Afrikaners view apartheid simply as a mechanism for perpetuating white rule. To many, the policy is the only possible way to solve South Africa's racial problems. The strength of their support for the government is partly determined by their estimate of the success with which apartheid is being implemented.

The program was developed in the 1940s, when the Afrikaners Nationalist Party was still in the opposition. Since coming to power in 1948 the Afrikaners have been wrestling with the social and economic obstacles to its implementation.

For example, between 80 and 90 percent of the land in the country is reserved for Europeans, who actively work most of the productive part of their acreage. Two thirds of the Africans--or "Bantu" in South African parlance--live on the farms or in

the cities of these European areas. The government cannot enlarge and consolidate the "Bantu national homelands" at the expense of the whites without being voted out of office; nor can it move large numbers of Africans back to the existing Bantu areas without disrupting both the white economy and the crowded African reserves.

The apartheid policy, moreover, has had no real success in dealing with the colored (mixed-blood) and Indian communities, which have no separate "national homelands" but still have few rights in the white areas.

The "Bantustan" Program

Economic and social development under apartheid would be slow and very expensive at best. Nevertheless, the Verwoerd government must appear to be making rapid enough progress to maintain Afrikaner self-confidence at home and also make apartheid slightly more palatable abroad. To do this, Verwoerd, a consummate politician and dedicated proponent of apartheid, is concentrating on the political development of the African areas.

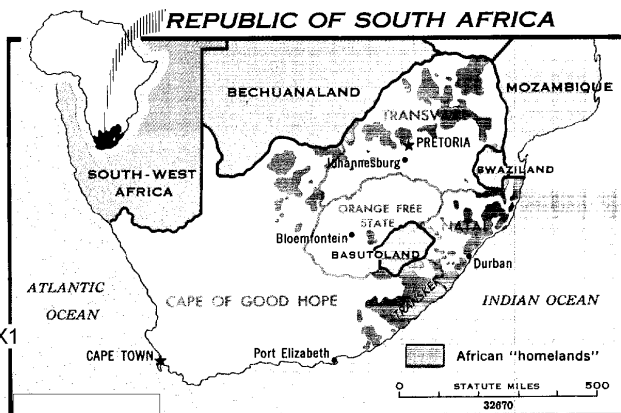
There are to be seven of these "Bantustans," each with a pyramid of local and regional African "authorities" or governments. At the apex of each pyramid there will be a "territorial authority" which is to be turned into a legislature as the territory assumes a greater degree of self-government. Not shrinking from the logical implications of this development, Verwoerd has said that the "Bantustans" may someday become independent, linked Commonwealth-fashion with white South Africa.

So far two territorial authorities have been set up, and another is to be established next year. Of these, the

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Transkei Territorial Authority is by far the most advanced. This year the government granted it a severely limited measure of autonomy. Verwoerd apparently plans to use this territory, the only one of the "Bantustans" which has any geographic homogeneity, as the show window for apartheid.

The Transkei

The Transkei is a pastoral and agricultural territory 16,500 square miles in area, inhabited by more than 1.3 million Africans and a scattering of other races. The soil, unlike that in some of the other African "homelands," is fairly well watered by South African standards, but it is losing its fertility under the impact of years of primitive farming. Its productivity could be improved if the Africans could be persuaded to cull their herds and improve their farming methods; however, retraining projects have met considerable resistance.

The government also hopes to encourage African capitalists to set up factories within the territory and is trying to attract white capital to neighboring European areas. These efforts have not been particularly successful so far, however, and the territory's main source of income remains the wages earned by African men in the European-run mines near Johannesburg and in South Africa's cities.

Under the new constitution the territorial assembly will have 109 members: 64 chiefs and paramount chiefs, and 45 members elected under what amounts to universal adult African suffrage. It will be competent in the fields of justice, interior, agriculture, and education, among others. The South African Government, however, retains jurisdiction in a formidable array of fields: defense, external affairs, internal security, posts and telegraph, railways, national roads, harbors, immigration, currency, public laws, customs, and excise.

The chiefs who will dominate the assembly are salaried government servants. White civil servants will exercise real authority in most Transkeian departments. All of the authority's legislation is subject to the veto of the South African President. The body competent to modify the Transkeian constitution is the South African Legislature, not the territorial assembly.

When these facts are combined with the territory's complete financial dependence on white South Africa, it becomes evident that the Transkei's "autonomy" is designed mainly to impress the country's whites and its overseas critics.

African Attitudes

This is not the way the Transkei Africans view the government's pronouncements, however. 25X1

the inhabitants are split into two schools of thought: those who oppose the "Bantustan" idea for a variety of reasons ranging from nationalism to traditionalism; and those who accept it because they believe it is the best way of obtaining independence.

Among the former is an influential minority of chiefs led by the highly respected paramount

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chief of the largest tribe in the Transkei, who despite his dependence on a government salary has repeatedly condemned the plan.

Among the latter is Chief Kaiser Matanzima, who will probably be the territory's first chief minister. Matanzima has stated that he regards the "Bantustan" idea as the quickest way of getting the white man out of the Transkei. He wants Africans to take over the territory's commerce, and he wants the Transkei, which borders the Indian Ocean, to have its own deepwater port. Verwoerd at present is not willing to grant either demand. As chief executive of a show-window territory, however, Matanzima might have enough leverage to force the pace of development beyond what the European government deems advisable.

Thus even the supporters of the Transkei program are likely to prove hard to handle. The government has been having trouble with its opponents, on the other hand, for two years. The eastern part of the territory has been governed under emergency regulations since October 1960, when there was an outbreak of violence aimed at chiefs who support the government.

The violence was partly a result of long-standing African resentment at government efforts to change primitive farming methods. However, it stemmed mainly from the government's having shipped African nationalists and hoodlums back to the Transkei from the cities following the outbreaks in the spring of 1960. These disruptive elements apparently are still present, some of them operating from safe havens in nearby British-administered Basutoland.

If the government is to impart an aura of reality to its show window, it must also get the support of at least some of the Transkei's better educated Africans. The territory's African population is fairly well educated by standards elsewhere on the continent; there are eight times as many college graduates as there are in Nyasaland. Unfortunately for Verwoerd, few of these have identified themselves with the "Bantustan" plan.

Further opposition is likely to come from the Transkei Africans in the cities, who apparently are to be allowed to vote for the territorial assembly's 45 elected members. These Africans are relatively sophisticated, and many of them are caught up in nationalist activity. If they participate in the election and if their votes are given full weight, they might be able to fill some of the seats with Africans who oppose the "Bantustan" idea. These might then ally with the chiefs who share their opinions. If the government tries to rig the elections, it runs the risk of making itself look ridiculous.

Outlook

It seems likely that the government will persist in its efforts to make the "Bantustans" as credible as possible, if only because the morale of a good part of Afrikanerdom would be endangered if it did otherwise. The only field in which the necessary rate of progress can be maintained, however, is that of politics, and it will take all of Verwoerd's ability to control the pressures among the Africans which the idea of "Bantustan" independence brings to the surface.

Given the overwhelming power of the South African security forces, organized violence on a large scale 25X1 is unlikely. Nevertheless, the Africans are not completely without leverage, and it seems possible that the "Bantustans" will evolve 25X1 in a direction which is not particularly palatable to the government.

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