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IRELAND

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PET-B/IR-1

June 17, 1963

PRESIDENT'S EUROPEAN TRIP
June 1963

IRELAND

(Background Paper)

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Authority E.O. 11652 SEC. 5(A) and (D)

By iso, NARS, Date 5-10-76

I. POLITICAL ASSESSMENT

A. Period of Transition. The traditional nationalist and insular outlook of Irish politicians has been considerably modified by two factors; first, the appearance on the Irish scene of a post-revolution group of younger, more vigorous politicians; and, second, the growing realization that Ireland's destiny must be realized within a larger European context.

Repudiation of political extremism in the 1961 election, and the abandonment of the activities of the Irish Revolutionary Army, have made politics, always conservative, even more moderate in recent years. All parties adhere to the principles of non-military alignment except under EEC membership; abolition of the border between the north and south of the country, and strong anti-Communism.

B. The Application for Admission to the European Economic Community. Ireland's application for admission to the Common Market was supported by all major political parties, and the nation as a whole demonstrated complete readiness to accept fully the political implications of EEC membership. Although disappointed over the failure of the United Kingdom's application for entry into the European Economic Community, rendering Ireland's own application politically and economically infeasible, the Irish have continued to orient their economic and political planning toward eventual EEC membership at some more propitious time.

External Affairs Minister Aiken suggested to Ambassador McCloskey in February that the United States take the initiative in setting up a high level conference between the United States, the United Kingdom, and France to break the impasse over the United Kingdom membership in EEC. Secretary Rusk told Ambassador McCloskey this proposal was not likely to be successful, and, furthermore, that it might offend the other members of EEC.

C. The Lemass Government. The abandonment of Ireland's insular and parochial outlook is in great measure due to the influence of Prime Minister Sean Lemass. His Fianna Fail Government has proven to be quite stable, although in the last general elections (October 1961), it lost its clear

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majority and now depends on independent votes for support. Fianna Fail can be expected to continue indefinitely in office, although a Fianna Fail-Labor Party coalition is an alternative possibility.

II. THE ECONOMIC SCENE

A. The Program for Economic Expansion. Since 1959, Ireland has embarked on a vigorous program of economic development, is encouraging the establishment of new industries, and is actively seeking and promoting foreign investment and tourism. In preparation for possible entry into the EEC, Ireland instituted a tariff reduction plan with the first reduction of 10% effective January 1963.

The program has achieved substantial successes. National output rose by an estimated 20% between 1958 and 1962, at an annual growth rate of 5%. Foreign investment in Ireland has been greatly augmented. Diversification of the economy has proceeded apace, with agricultural exports now in third place as a source of foreign exchange. Exports of all goods increased 86% between 1958 and 1961. The exodus of emigrants has been staunch, with 1961 emigration rates 50% lower than those of the preceding year.

B. Economic Links with the United Kingdom. The Irish economy is closely tied to that of the United Kingdom. Since 1938 Ireland has had preferential access to the British market. Irish external trade is predominantly with the United Kingdom, to which it sells 75% of its exports and from which it takes 50% of its imports. The present stagnation in the British economy has adversely affected Irish trade, and is a major reason for the Irish growth rate of 1962 dropping to 2 1/2%. Further economic links with England are the large number of Irish surplus laborers who migrate annually to the United Kingdom to look for employment, the large amount of UK capital invested in Ireland, and the long-established banking and commercial connections between the two countries.

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C. The Search for New Markets. Continental markets would provide Ireland with access to a large consumer market at higher prices than it has been able to get in Great Britain, with its subsidized domestic agriculture and its cheap food imports. Conversely, the Government has also recognized the need for Irish industry to improve its competitive position vis-a-vis the more efficient Continental producers.

In spite of the lower growth rate and the re-emergence of a deficit in its international payments, the Irish economy is characterized by a mood of modernization and optimism.

III. MULTILATERAL AND BILATERAL PROBLEMS

A. Ireland and Partition. The Irish Government has asserted that it will use only peaceful means to resolve the problem of Partition. In 1948 Ireland refused to join the North Atlantic Treaty Organization on the grounds that it could not become a signatory to an international treaty without concurring in a de jure recognition of Partition. This Irish position is now believed in some quarters to be compromised since Ireland's accession to the United Nations Charter in 1955.

B. Irish Neutrality. Since the end of World War II and more recently under the leadership of Prime Minister Lemass, the Irish have shown growing interest in participation in international affairs and in international organizations. They joined the OEEC and participated in the European Recovery Plan, associated themselves with the Council of Europe, and made an early application for membership in the UN which was blocked by a Soviet veto until 1955.

While not in the least neutral to the ideological issues involved in the East-West struggle, Ireland pursues today an independent course in international affairs. Its principal outlet for international activity is the United Nations. Ireland is exceedingly proud of its contributions to the UN and follows all issues before the UN with great interest.

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The Irish Government is now following a cautious policy regarding any military commitments to the West (notably NATO) until the question of Irish participation in the European Community (specifically EEC) is resolved.

C. Ireland and the U.S. in the UN.

1. The Congo. Irish troops will remain in the Congo at least until autumn. Twenty-six Irish soldiers have been killed.

2. Kashmir Resolution. In June 1962, the Irish delegation introduced, at our request, a moderate resolution calling for a negotiated settlement between the disputants of the Kashmir problem.

3. The UN Financing Problem. At the Special Session of the General Assembly called to deal with the problem of financing the Congo operation, the Irish delegation presented a plan, persistently advocated by External Affairs Minister Aiken, to give the Secretary-General authority to borrow money as a means of solving the problem. We have informed the Irish that this proposal has little or no appeal to the UN membership. The United States, being under a Congressional directive opposing any future borrowing by the United Nations, is in no position to favor the Irish suggestion. Borrowing, in any case, is merely a palliative.

4. East-West Issues in the UN. The Irish played a leading role in censuring Hungary, supported the resolution condemning the Chinese Communist invasion of Tibet, and voted against the application for Chinese Communist membership in the UN.

D. Air Fares Problem. The Irish Government supported the European position in the controversy over North Atlantic air fares and was contemplating retaliatory action against American airlines when the IATA compromise was worked out at Montreal.

E. Ireland and Cuba. During the height of the Cuban crisis the Irish were most cooperative with the United States Government and searched all Bloc air traffic transiting Shannon. Recently the Irish expressed a desire to suspend the search but have continued it at our request.

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F. Landing Rights at Dublin. The Irish Government has so far refused to grant American carriers landing rights in Dublin.

Under the existing air agreement, American carriers enjoy landing rights only at Shannon. Our argument that Irish Airlines is given the right under the agreement to serve three cities (New York, Boston, and Chicago) does not carry any weight with the Irish Government. We contend that tourism to Ireland would be expanded by the granting of Dublin rights to U.S. airlines, while the Irish argue that the Irish airlines would be adversely affected.

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GREAT BRITAIN

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Authority State Ltr. 12-23-76
By shw, NARS, Date 2-14-77

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By isb, NARS, Date 5-10-76

UNITED KINGDOM AND TRADE NEGOTIATIONS

The failure of the UK-EEC negotiations has greatly increased the importance of the trade negotiations for the UK and in present circumstances no country has more at stake. The failure of these negotiations would give further impetus to a closed continental orientation of the EEC. Successful negotiations would bring some of the economic benefits which were anticipated from UK membership in the EEC.

In consequence, the UK is offering firm support for the negotiation of substantial equal linear tariff cuts as sought by the US and will probably continue to be our strongest ally. The UK's interest in industrial products, however, is far greater than in agriculture.

Agriculture poses difficulties for the UK for several reasons:

1. it imports a significant share of its food supply at low cost: commodity agreements for grains, meats and dairy products would probably raise world prices and the foreign exchange cost to the UK;
2. the present system of direct income support to farmers is proving expensive and the UK is contemplating new controls on imports, rather than their removal, as part of an adjustment in its domestic agricultural program; and
3. in contrast to most agricultural products, fruits and vegetables are protected by high tariffs in the UK and reductions in this protection would be politically difficult.

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Nevertheless, the UK has supported the comprehensive inclusion of agriculture in the negotiations and is prepared to see some increase in the cost of its food imports assuming that the overall results of the negotiations are favorable. It has also indicated that new import controls being considered would be negotiable.

Commonwealth preferences are not likely to be an important issue for the UK in the negotiations because there is growing recognition in both the UK and the Commonwealth that these preferences will continue to be eroded.

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BACKGROUND PAPER

By dhv, NARS, Date 2-14-77

Military Assistance to India

U. S. Plans

We have virtually completed our Nassau program. Looking ahead, we have in mind for FY 1964 a two-stage program which adds up to about \$50 million. Additional aid for FY 1964 can be discussed with the Indians after the MAP appropriations are completed this fall. Our first stage would consist of items on which we gave general undertakings to T. T. Krishnamachari when he was here. We are authorizing Ambassador Galbraith to give firm commitments to the Indians on these items when he returns to New Delhi. They include:

Continued Air Transport Support	\$ 2.7 million
Road Construction Equipment	5.6 million
Training for Army and Air Force	4.7 million
Radar and Associated Communications	16.1 million
Total	<u>\$ 29.1 million</u>

We are authorizing General Kelly to discuss second stage items as plans we have in mind for early funding but with no commitment. These include:

Engineer Equipment for Corps Troops	\$.4 million
Completing Equipment for Two "Nassau"	
Corps and Supporting Forces	3.7 million
Modernizing Two Mountain Divisions	11.3 million
Weapons Systems Support	2.5 million
Air Ground Control Radios	.3 million
Ground Control Approach Radars	1.1 million
	<u>\$ 19.3 million</u>

In addition

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In addition we have made an initial decision on defense production aid. We are authorizing Ambassador Galbraith to inform the Indians that we will provide them with two production lines from the St. Louis Ordnance Plant excess equipment at a total cost of not over \$2 million. In addition, the Indians have already selected over three hundred items from our surplus stockpile of machine tools in the United Kingdom, a substantial portion of which they can have for the transportation costs. A decision will be made on this equipment in the near future.

Program for the U. K.

We have presented the British with a proposal for U.S./U.K. post-Nassau assistance, telling them that while no decision has been made as to the amount the U. S. would fund, our present inclination is between \$50 and \$75 million. We have suggested that the British might supply the following items:

- a. Combat air maintenance assistance including attrition aircraft;
- b. Semi-automatic rifles for three divisions and corps troops, including roughly an additional 50 thousand initially;
- c. IFF equipment for the Indian Air Force;
- d. Miscellaneous communications and engineering equipment of types being furnished to Nassau 6 divisions;
- e. Combat air ordnance (ammunition, rockets, bombs, and air-to-air missiles).

Bearing in mind indications that the U. K. is not willing to commit itself to more than \$10-20 million beyond Nassau, we suggested that the British commit themselves now to items a., b., and c. which come to a value of \$10-15 million. We asked the U. K. to consider whether they wished to supply the items under d. and indicated those requirements under e. should be studied further. We told the British that we hoped they would give a particular priority to meeting Indian Air Force maintenance needs including arranging exchanges of officers for training and sending to India technical teams to improve Indian Air Force maintenance.

While it has been our practice to present forcefully to the Indians our views of their requirements, the U. K. has preferred to await India's requests and act on them according to rough criteria of prima facie reasonableness. We believe it is quite important that both the British and ourselves be quite firm with the Indians both with regard to what we are prepared to furnish them and what they should buy from us. We

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have told the British that we hope they will concert with us on this both in New Delhi and in periodic consultations with us in London and Washington. We are particularly concerned about the reported Indian effort to buy frigates and submarines, which we do not consider priority requirements. We told the British we ourselves propose to adhere to our policy of not considering purchases in the U.S. which are outside of our agreed aid framework. We also told the British that in view of their declining share of the total military program we were prepared to take an increased initiative with Canadians and Australians if the U. K. concurs.

We have asked for the U.K.'s views about getting together to discuss post-Nassau assistance, perhaps later this month.

Pakistan

We are considering what we might do for Pakistan in order to lessen the unfavorable impact there of our aid to India. This might include some defense production assistance, as well as priority funding of certain urgent military requirements presently existing. We do not, however, wish to become a party to an arms race on the subcontinent and, therefore, believe we should be guided to the greatest extent possible by the requirements for Pakistan's security.

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MALAYSIA

Background Paper

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Authority State Ltr. 12-23-74

By lhur, NARS, Date 2-14-77

President Sukarno and Prime Minister Abdul Rahman discussed Malaysia during their meetings in Tokyo May 31 and June 1 and agreed to put an end to the mutual recriminations between their two countries. Their talks cleared the atmosphere and placed Indo-Malayan relations on a new basis just prior to the tripartite ministerial meetings in Manila June 7 and June 11.

In the Manila talks, the foreign ministers of Malaya, Indonesia and the Philippines appear to have arrived at a formula whereby the latter two states have agreed to withdraw opposition to the formation of Malaysia by August 31, 1963 in return for certain concessions. This formula involved a series of agreements on related problems and are subject to approval at a meeting of their heads of government in late July. They agreed:

- A. To set up consultative machinery on security, economic, social and cultural matters as initial steps in implementing President Macapagal's proposal to link the three countries in a Malay Confederation.
- B. To accept the principle that these three countries have primary responsibility for maintaining peace and stability in the area and for countering subversion in any form.
- C. To resolve problems arising from the formation of Malaysia by requesting a UN assessment of the wishes of the people of Borneo, reportedly prior to the formation of Malaysia.
- D. To resolve the Philippine claim to North Borneo after formation of Malaysia. (The Filipinos have told us that it was agreed that the inclusion of North Borneo in Malaysia would not prejudice either their claim or any rights thereunder).

Probable British Position

The British are determined to complete the formation of Malaysia and to turn over sovereignty in the Borneo territories and Singapore to the new federation by August 31, 1963. They appear to have all but abandoned earlier hopes for substantial reduction in their responsibilities in the area. They will extend the present defense agreement with Malaya to Malaysia and have offered 15 million pounds for capital expenditures for the defense build up

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in Malaysia over the next three years. They are also committed to a limited economic development program for the Borneo territories. The Malaysians contend the British offer does not meet their needs and they are pressing the U.K. for more aid. The British appear resigned to providing limited military and economic assistance to Malaysia at least in the near future, but they may ask the U.S. to share the burden.

The British greatly appreciate the President's endorsement of Malaysia at his press conference on February 14 and the ANZUS communique of June 6 supporting Malaysia. Unfounded rumors that the U.S. was actively supporting proposals for a plebiscite on Malaysia in the Borneo territories and the deep involvement of the U.S. with Indonesia caused concern among some British officials about the firmness of U.S. endorsement of Malaysia. It is possible that the Prime Minister may still harbor some doubts regarding the U.S. stand on Malaysia.

Suggested U.S. Position

1. The U.S. continues to favor the formation of Malaysia, but avoids involvement in the creation thereof. We welcome agreement on Malaysia among the states concerned and hope that Britain will give sympathetic consideration to any mutually acceptable arrangement for determination of the will of the people of the Borneo territories toward Malaysia by the UN.
2. U.S. does not intend to provide economic or military assistance to Malaysia, particularly in view of our heavy commitments in other parts of South and Southeast Asia. We believe that Malaysia has not fully exploited opportunities for loans from international agencies and private banks.
3. We are heartened by the agreements reached in Manila by Malaya, Philippines and Indonesia and believe that every effort should be made to promote closer relations and cooperation among the three. We have been quietly encouraging them to continue these efforts without becoming involved ourselves. Australia and New Zealand, as hemispheric neighbors, might take a more active role in promoting regional cooperation and harmony. We believe Australia is prepared to do so.

Encouraged by such recent developments as the settlement with the foreign oil companies and the Manila agreements, we are hopeful that a fundamental change in Indonesian foreign policy may be under way. We believe that closer ties with Manila and Kuala Lumpur could contribute to a real improvement in Indonesia's attitude and policies from the Free World viewpoint. We suspect that Indonesia

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may have been prompted to relax its open opposition to Malaysia by the seeming inevitability of the new federation, the failure thus far of Indonesia's confrontation policy vis-a-vis Malaya and its own internal difficulties. Sukarno may also believe that the Malay Confederation scheme could provide a vehicle leading to recognition of his leadership in the area as a whole.

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PRESIDENT'S EUROPEAN TRIP

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BACKGROUND PAPER

Air Defense Arrangement for India

U. S. Proposal

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Authority State ltr. 12-23-74
By Shu, NARS, Date 2-14-77

We have completed a draft note on our air defense arrangement and have given it to the British, Canadians and Australians for their comments prior to submittal to the Indians. Our note provides that we and the U.K./Commonwealth countries will join the Indian Air Force in joint peacetime training exercises designed to improve the effectiveness of India's air defenses against bombing attacks on the Delhi and Calcutta areas. We also state that we will send to India mobile radar installations with related communications equipment to be replaced in 12 to 18 months by 6 permanent radar installations. We propose to train Indian technicians in the operations of both the mobile and permanent radar. Finally, we indicate that, in the event of a Chinese Communist attack on India, we will "consult" with the Government of India regarding possible additional U. S. assistance in strengthening India's air defenses. Our draft proposes that U. S. personnel sent to India under the air defense agreement would be given the same treatment as members of the U. S. Military Supply Mission in India. This would then give them the same protection as technical and administrative personnel under the Geneva convention.

The Canadians and Australians have not yet decided whether to join us in our proposal to the Indians. Technical consultations regarding the first exercises, which we propose for late September/October, took place in London beginning on June 13. The Canadians and Australians attended as observers. We hope to be able to present our note to the Indians before the end of June.

Pakistani Attitude

Secretary Rusk sounded out President Ayub regarding our air defense proposal during his visit to the subcontinent; Ayub responded that it would not cause him any great problems. We will brief Ayub regarding our proposal before we hand it to the Indians. If the

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Pakistanis ask for similar exercises in Pakistan, we plan to call their attention to our offer last fall of combined air-ground exercises for fiscal year 1964, which the Pakistanis were unable to accept, and indicate our willingness to resume planning for such exercises at any time suitable to both governments.

British Attitude

It took some persuasion to get the British to agree to join us in offering an air defense arrangement to the Indians. Initially they were worried about what they considered the very far-reaching commitments such arrangement might involve them in. They were concerned that they might become involved in "actual shooting" with the Chinese or put in a position in which they would not have a free choice as to whether or not they would become an active participant in India's defense. They also did not wish to make a commitment to India without a quid pro quo in the form of a Kashmir settlement or some type of alignment. However, the British reversed themselves, possibly because we presented the proposal as one for joint training exercises only. They saw such exercises as serving a useful purpose without involving Britain in specific commitments which might lead to fighting.

The British also sounded out T. T. Krishnamachari on air defense; he replied that India would welcome an air defense proposal of the type we have in mind.

Although we do not yet have the British reaction to our draft note, we expect they may balk at our proposal to "consult" with the Indians in the event of a renewed Chinese attack. They may consider this the sort of commitment they are not prepared to give. They have already informed us they strongly oppose eventual publication of our note, as we had suggested to them.

Rules of Engagement During Exercises

Basic questions relating to Rules of Engagement for the U. S. and U. K. squadrons during the exercises are still under study and will be examined in additional technical talks between the British and ourselves. It is understood that no part of these rules would be discussed with the Indian authorities unless specifically authorized.

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June 18, 1963

PRESIDENT'S EUROPEAN TRIPJune 1963BACKGROUND PAPERFree World Economic Aid to India1. Aid to India's First Two Five-Year Plans (1951-61).

Total free world aid to India's first two plans amounted to \$5.2 billion. Of this, \$1.145 billion was contributed by free world countries other than the U.S. \$742 million was contributed by the IBRD and IDA; \$34 million was contributed by the UN; and \$3.3 billion was contributed by the U.S.--about half of it in surplus agricultural commodities under PL 480. (See attached Table A for contributions by source.) About 10 per cent of the financing of India's First Plan (1951-56) came from external assistance. This rose to 24 per cent for the Second Plan. During the Second Plan, of the external assistance disbursed, some 55 per cent came from the U.S. and 16 per cent from the IBRD; the USSR accounted for about 5 per cent.

2. Aid to India's Third Five-Year Plan (1961-66).

Free World commitments to India's Third Plan thus far total \$3.28 billion. The overwhelming bulk of this has been contributed through a consortium organized by the World Bank which now includes ten free world countries, the World Bank and IDA. This represents 60 per cent of the total of \$5,460 million of external assistance envisaged by the Government of India as needed for the Third Plan. The Plan contemplates that 30 per cent of its total financing will come from external assistance.

3. The Indian Consortium.

At meetings of the Indian consortium in June 1961 and July 1962, a total of \$2.365 billion was committed toward India's requirements for the first two years of its Third Five-Year Plan, which began April 1, 1961. Of this total, \$980 million was contributed by the United States, \$935 million by other free world countries, and \$450 million by the World Bank and IDA. In addition the U.S. is continuing PL 480 assistance. (See attached Table B for commitments by source.)

At the latest meeting of the Indian Consortium, on June 4-5, 1963, in Paris, a total of \$914.8 million was committed toward India's estimated requirements of \$1,255 million for the third year of its Third Plan. Of this total, \$375 million was contributed by the United States,

\$319.8 million

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\$319.8 million by other free world countries, and \$220 million by the World Bank and IDA. In addition the U.S. is continuing PL 480 assistance. (See attached Table B for commitments by source.) Since some members of the consortium said that they might be in a position to increase their pledges later in the year, it was agreed that the consortium should be reconvened in Washington in July to consider additional pledges for FY 1963-64. The U.S. representative indicated that, depending on the amount of additional pledges forthcoming from other sources, the U.S. would be prepared to raise its own pledge for the year up to a maximum of \$450 million.

The UK pledge of \$84 million at the June 1963 meeting was increased from an initial pledge of \$70 million presumably as a result of U.S. approaches over the preceding weekend. On terms of aid, the UK offered to waive interest payments due in the first seven years, thus reducing their effective rate of interest to around 3.2 per cent. This offer was conditioned on complementary concessions from other donors which have not yet been forthcoming.

Attachments:

1. Table A - Total Free World Assistance to India During First and Second Five-Year Plans
2. Table B - Free World Commitments to India's Third Five-Year Plan.

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TABLE A

TOTAL FREE WORLD ASSISTANCE TO INDIA DURING
FIRST AND SECOND FIVE-YEAR PLANS (ENDING JUNE 30, 1961)
 (Millions of Dollars Equivalent)

U.S.	3,308.2
IBRD	682.0
IDA	60.0
UN Technical Assistance	17.6
UN Special Fund	16.7
United Kingdom	425.6
West Germany	339.6
Canada	226.0
Japan	79.0
Switzerland	22.9
Austria	14.0
Norway	3.5
Colombo Plan	<u>34.6</u>
TOTAL	5,229.7
Other Non-Communist Bloc Contributor-- Yugoslavia	<u>40.0</u>
	5,269.7

TABLE B

FREE WORLD COMMITMENTS TO INDIA'S THIRD FIVE-YEAR PLAN
April 1961 to March 1966
(Millions of Dollars Equivalent)

I. Commitments under World Bank Consortium on India Toward Requirements of First Three Years of the Third Plan.

	<u>First Two Years^{1/}</u>	<u>Third Year^{2/}</u>
Austria	5	3.85
Belgium	10	10
Canada	61	30.5
France	60	20.0
Germany	364	65.35
Italy	53	35.0
Japan	105	60.0
Netherlands	11	11.1
United Kingdom	266	84.0
United States	980	375.0
World Bank and IDA	<u>450</u>	<u>220.0</u>
TOTAL	2,365	914.8

II. Other Free World Commitments to Third Plan.

Switzerland	22.9
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^{1/} Committed at World Bank Consortium meetings in June 1961 and July 1962.

^{2/} Committed at World Bank Consortium meeting in June 1963.

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BACKGROUND PAPER

INDO-PAKISTAN RELATIONS: KASHMIR

Recent Attitudes

India.

The Chinese attack on India created a situation in which Indian attitudes regarding Pakistan and the Kashmir issue became more malleable. There is greater recognition that improved Indo-Pakistan relations have become increasingly important to India's national interests, and that a solution of Kashmir would greatly help bring this about. In close coordination with the British, we have taken advantage of the opportunity presented by the Chinese attack to get talks started on Kashmir between India and Pakistan. We have used every means at hand to get across to Indian leaders why we believe it is in their interests to make the necessary concessions to resolve the Kashmir dispute. The Indians have proved unwilling so far to meet the Pak terms for a settlement, and vice versa. The Indians have probably found the price too high. They also seem to doubt that a settlement would necessarily bring the type of improved relations which would increase their security against the Chinese. Furthermore the ill-timed border agreement between Pakistan and Communist China has given India legitimate reason to question Pakistan's good faith, and contributed to the failure of the talks. India has agreed in principle to the mediation proposal.

Pakistan.

Pakistan leadership faces the necessity of adjusting to what probably is a permanent change in the complex of relations and interrelations among the United States, India and Pakistan brought about by the Communist Chinese aggression. There has been a severe reaction in Pakistan to our emergency arms assistance to India. Old doubts of Indian intentions have been intensified, and Pakistan fears that we are imperiling Pakistan's security by our action. Pakistan seriously doubts that a Kashmir solution can be reached while Nehru is in power, and the failure of the ministerial talks reinforced these doubts. Pakistan sees the U.S.-U.K. mediation proposal as offering India an opportunity to delay progress toward a settlement and at the same time to continue to receive arms assistance.

The situation

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The situation could develop to the point where Ayub, fearing that his internal position, now reasonably secure, would be weakened, might be tempted to take, or allow himself to be pushed into taking, action fundamentally affecting U. S. interests in Pakistan--e.g., by taking a major step to develop closer relations with Communist China, or even, withdrawing from SEATO and/or CENTO.

Outlook for a Kashmir Settlement

During the ministerial talks neither side gave an indication of being willing to make concessions sufficiently significant to bridge the gap between them, although both countries did move provisionally from some of their previously held positions.

After the bilateral talks failed, the presence of a third party became an obvious necessity, if talks were to continue, and the initiation of mediation appeared to offer the best hope for progress toward a solution. Even if both sides eventually agree to the proposal, the prospects that mediation will lead to an early settlement are not bright. However, mediation would prevent a breakdown in the discussions and could help create an atmosphere more conducive to a settlement. It would have the advantage of making possible quiet negotiations over a period of time.

Other Issues

In addition to Kashmir, there still remain as a legacy of partition a series of issues outstanding between India and Pakistan. The more significant ones are listed below:

- (1) Movable and immovable refugee property settlements.
- (2) Post-partition debt.
- (3) Border problems (other than Kashmir).
- (4) Transit rights.
- (5) Water rights.
- (6) Migration of Muslims from Assam and Tripura to East Pakistan.

In general, a Kashmir settlement could create conditions under which these could be much more easily settled. More fundamental

issues,

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issues, arising from religious differences and events leading up to the partition of the subcontinent, would remain and still might plague Indo-Pak relations. The millenium is still far away on the subcontinent.

U. S. Dilemma

A solution of the Kashmir problem leading to an Indo-Pak reconciliation would make it possible for the countries of the subcontinent to be far more effective in meeting the Chinese Communist threat. However, given the nature of this threat, we cannot subordinate our global strategic interest in ensuring that India participate in the confrontation with Communist China to the solution of a local dispute. We must therefore provide a measure of military assistance to India regardless of the unfortunate state of Indo-Pakistan relations and the potential dangers it carries for U. S. interests.

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NEA-Mr. Grant

INR-Mr. Liebesny

GER-Mr. Brandin

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PET-B/B-7

June 19, 1963

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PRESIDENT'S EUROPEAN TRIP

June 1963

BACKGROUND PAPER

INTERNATIONAL LIQUIDITY

DECLASSIFIED

Authority State Ltr. 12-23-76
By shw, NARS, Date 2-14-77

Anticipated British Position

The British may raise the question of the need, over the longer term future, for further facilities to increase international liquidity, i.e. the greater availability to countries of convertible currencies or gold for settling international accounts. In this connection they may refer to an earlier UK proposal for a Mutual Currency Account system in the International Monetary Fund, that has become known as the "Maudling Plan".

The Prime Minister may also indicate an interest in an increase of IMF quotas and thus of rights to draw upon the IMF, a subject that we have been considering in the United States as offering some possibilities in the future, if a way can be found to approach the matter successfully with the Continental countries whose cooperation and financial support would also be necessary.

Recommended U.S. Position

1. Current U.S. Initiative

We have always favored study of the longer range questions of liquidity, and we have no fixed ideas as to what the eventual evolution of the monetary system should be. A small U.S.-UK working party of financial technicians has been studying these problems since last September, and we are just now at the stage of moving carefully toward an arrangement for a study of liquidity problems by the ten major industrial countries, known as the "Group of Ten". The U.S. has taken the initiative to stage such a group effort, and we are beginning to get reactions from the larger members of the "Group of Ten" to the first tentative procedural approaches that we have made. Assuming that these reactions are reasonably encouraging, we will proceed to a group study by representatives of the Ten.

2. Advantages

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2. Timing and Other Considerations

In the current situation, we should avoid being drawn into debate with the British on particular monetary plans or procedural questions, and should particularly avoid premature public announcements regarding our hopes for the work of the Group of Ten. The difference between the U.S. and the UK as to the proper approach to international liquidity problems has been that the United States has felt that no large scale moves on liquidity would be helpful to us now. We have been concerned that if we try to do big things at full speed now, this might hamper us in dealing with our current balance of payments problem and in achieving satisfactory arrangements to finance our current deficit. However, we believe steps to improve our balance of payments situation will be a part of the overall solution to the long run liquidity problem.

3. Increase in Swap Arrangement

In the meanwhile, we are very gratified that the UK has taken the initiative in arranging for the substantial reciprocal swap arrangement of \$500 million, which will be extremely valuable in protecting both currencies.

Discussion

British Attitude and Initiative

The British proposed this agenda item. The Prime Minister has had a long-standing interest in financial problems that goes back to the 1930's. Currently, he has an active interest in the question of international liquidity--an interest that he has mentioned in previous discussions with U.S. officials.

After some preparatory fanfare in the press, the Chancellor of the Exchequer, Reginald Maudling, took an "initiative" at the September 19 session of the IMF Governors in opening up for international discussion the question of improving international liquidity

arrangements

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arrangements. He suggested consideration of a multilateral arrangement "under which countries could continue to acquire the currency of another country which was temporarily surplus in the market and use it to establish claims on a mutual currency account [in the IMF] which they could themselves use when their situations were reversed". The convertibility into gold at fixed exchange rates of the currencies deposited would be guaranteed by the country of issue, as all current IMF currency holdings are guaranteed. Mr. Maudling offered the suggestion not as a "cut and dried plan" but rather as a stimulus for international study and discussion of the general problem.

Reaction to British Initiative

At that time, U.S. officials indicated a number of questions about the feasibility and possible hidden dangers in this idea. Our readiness to give this and other ideas careful consideration was made clear, however, and confirmed by the President in his address to the IMF Governors on September 20 when he said that "this country will always be receptive to suggestions for expanding these arrangements or otherwise improving the operation and efficiency of the international payments system". The collective attitude of the major financial powers was indicated in the communique issued after the September 20 meeting of the Group of Ten which stated: "The ministers agreed that they are ready to contribute to continuing study of the means for further improving the international monetary system in the years ahead."

As a result of discussions that have been going on since last September between U.S. and UK technical personnel, responsible British financial officials now have a good many questions in their own minds regarding the feasibility and the usefulness of the Maudling Plan. In particular, we believe they have come to realize that Continental European countries might have great difficulty with the proposal. They may even wish to put the Maudling Plan "on the shelf" or to merge it into a more general consideration of these problems without pressing particularly for the Maudling Plan. However, the Prime Minister may not be prepared to take this attitude. The technical discussions have led to some improvements of the plan, but there are still very significant questions on our side about it, one of which is the retention by the British of the gold value guarantee in their statement of the plan -- although we have pointed out that it is not an inherent feature of the plan and that a guarantee to convert into foreign exchange might work more effectively. Most

Continental

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Continental countries have now reached, but are reluctant to voice publicly, adverse judgments on the Maudling Plan. One criticism which they have all expressed to us is that they fail to see what the Maudling Plan could accomplish that is not already possible within the International Monetary Fund. It is from that emerging consensus that we now hope to move forward toward longer range plans that will have general support.

We believe that the next step should be a study of the general problem by the members of the Group of Ten, and we are now initiating procedural approaches to this end. We expect the British will discreetly support the study in the Group of Ten, but we must be careful to avoid the resentment that the Continentals would feel if they thought a concerted U.S.-UK plan were being pushed upon them.

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June 20, 1963

PRESIDENT'S EUROPEAN TRIP

DECLASSIFIED

June 1963

Authority E.O. 11652 SEC. 5(A) and (D)

By isp, NARS, Date 5-10-76

East African Federation

(Background Paper)

Background

After the announcement of the overwhelming victory of Jomo Kenyatta's party in the Kenya elections of May 25 to 26, the political leaders of Tanganyika, Uganda and Kenya called a meeting in Nairobi on June 5 to lay plans for a federation of their territories. The Africans hoped that the meeting would put pressure on the British to grant independence to Kenya before the end of the year. But the Africans were carried away by enthusiasm for an idea that has long been in the air and committed themselves much more deeply to the early achievement of federation than they had planned at the time they arranged the meeting.

Recognizing that there was probably no more propitious time to press vigorously for federation than now when special interests were not yet well entrenched, the African leaders went well beyond enthusiastic oratory. They organized a working group to prepare a draft constitution before the end of June and are working to reach agreement before the end of the year on the general terms of federation and on such sensitive matters as leadership and the site of the capital. It is not unlikely, despite the host of administrative and legal difficulties, that the Africans will have reached sufficient agreement by then to proclaim the federation. Such a federation will doubtlessly leave broad powers to the individual states. But the central government will probably have control over foreign affairs and defense as well as over external trade, taxes and transportation, which already fall under the jurisdiction of the East African Common Services Organization (EACSO). EACSO, which is the successor of a colonial regional organization, already has considerable supranational powers in the economic field, has established a virtual common market in East Africa, and has resolved some of the most difficult problems of economic collaboration.

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If a federation is formed, it will constitute the second largest nation in Africa (Egypt excluded) with a population of about 25 million. But such a grouping might only be the nucleus for a much larger political and economic union. Northern Rhodesia, Nyasaland, Rwanda and Burundi would all be strongly attracted to it. Although dilution of central authority will probably increase with the size of the federation, a state even larger than the British East African nucleus might have no more difficult internal divisions than those found in Nigeria. A large new state would also pose a serious threat to the remaining settler-dominated states of southern Africa and to the Republic of South Africa itself.

If the encouraging outlook for federation continues, the British will probably advance Kenya's constitutional pace by several months and grant independence by the end of the year. They doubtlessly believe that the serious racial, tribal and economic problems that face Kenya will be less acute under a regional government than in an independent state. The Colonial Secretary will probably make a statement in support of federation this week, according to Embassy London.

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PET-B/B-10
June 20, 1963

PRESIDENT'S EUROPEAN TRIP

June 1963

Yemen - Aden

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(Background Paper) Authority E.O. 11652 SEC. 5(A) and (D)
By ing, NARS, Date 5-10-76

Anticipated British Position

Aden is important as the major logistic and command post for strategic UK defense of the Persian Gulf. The immediate threat to Aden is from Yemen, though at present YAR military capabilities are not adequate to jeopardize the UK position. Opportunities for subversion among the 80,000 Yemenis in Aden are considerable, however.

The newly formed South Arabian Federation serves as a counter-poise to YAR territorial claims and ambitions and to nationalist aspirations among residents of the Aden Protectorate. The member states are broadly content with present arrangements and current pressures are not sufficient to make Aden independence imminent.

Some new definable phase is required to justify UK recognition of the YAR. Federation rulers do not support UK recognition unless the YAR first recognizes the South Arabian Federation. They insist upon consultation with the UK and would regard UK recognition prior to withdrawal of UAR forces from Yemen as a concession to Nasser. Moreover, the YAR does not meet UK criteria for recognition; the republicans fail to control all parts of the country and the royalists have the capability to create trouble for some time.

Recommended U.S. Position

The U.S. shares UK views of the importance of Aden. We are prepared to remain in consultation on matters affecting its future and would be willing to give tangible evidence of our support by the establishment of a Naval Liaison Office attached to our Consulate in Aden.

HMG recognition

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HMG recognition of the YAR would help to maintain the viability of Aden as a strategic base. YAR probes along the border and propaganda claims to Aden territory are the product of fear and uncertainty about British policies regarding the future of the republican regime. Recognition would (1) facilitate the reestablishment of the western presence in Yemen required to contain Communist bloc penetration and UAR influence, (2) encourage YAR accommodation to South Arabia Federation, and (3) perhaps even lay the foundation for demarcation of the YAR-Federation frontier. The beginning of disengagement under UN supervision may provide the new phase required for UK recognition of the YAR.

Drafted by: NEA/NE-Mr. Russell	Cleared by: NEA-Mr. Davies GER-Mr. Brandin
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ITALY

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Authority State Ctr - 12-23-74

By Chen, NARS, Date 2-14-77

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June 7, 1963

PRESIDENT'S EUROPEAN TRIP

June 1963

Bilateral Background Paper: Italy

U.S. - Italian Military Cooperation

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Authority E.O. 11652 SEC. 5(A) and (D)
By isa, NARS, Date 5-10-76

1. U.S. Forces in Italy: The United States maintains about 7,000 Army, Navy, and Air Force military personnel in Italy. Both tactical and logistical forces are included, and their mission is to support NATO forces and the Italian armed forces committed to NATO. Among our forces are two Army missile battalions armed with Corporal missiles, which are scheduled to be replaced by the end of 1963 by one battalion of Sergeant missiles. U.S. personnel in Italy are covered by a NATO Status of Forces Agreement.

2. Stockpile Agreement: In 1962 agreement was reached to establish stockpiles of atomic weapons in Italy. U.S. personnel are responsible for custody, maintenance, surveillance, and assembly of the weapons, and Italy is responsible for external security. Use of the weapons requires the prior agreement of both countries.

3. Military Assistance Program: Since 1950 the U.S. has granted Italy over two billion dollars worth of equipment and services under the Military Assistance Program. With the modernization of the Italian armed forces and the development of the Italian economy, however, Italy can now pay for its own defense. We have undertaken no new commitments for military assistance since FY 1961, and no new commitments are contemplated, but Italy will continue to receive for a short time a small amount of grant aid as a result of past commitments. The greater part of grant aid previously scheduled for FY 1964 was dropped after the removal of the Jupiter missiles from Italy.

4. Jupiter-Polaris Exchange: Under a 1959 agreement and beginning in 1960, Italy established two squadrons of Jupiter IRBM's with U.S. assistance. The missiles were dismantled this spring concurrently with the arrival in the Mediterranean of Polaris submarines under SACEUR command. The U.S. proposed and Italy consented to the withdrawal of the missiles only on the basis of their replacement by a more modern and less vulnerable system. Italian military and

conservative

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conservative civil authorities have shown some sense of loss over the departure of the admittedly obsolescent Jupiter system, in which Italy participated directly.

5. Military Offset Purchases: In recent years the U.S. has had foreign exchange expenses of about \$100 million a year for its military forces in Italy. In the fall of 1962 Italy agreed to buy \$125 million of U.S. military equipment to offset these balance of payment outlays and further modernize its forces. This transaction was financed by an Export-Import Bank loan, which is being refinanced by the Bank of Italy to accelerate the U.S. balance of payments benefit from the purchases. The Italian Government is aware that annual purchases at a similar level will be needed to offset the expenses of our forces in the future. Italy is in a good position to make such purchases, since it has large exchange reserves (over \$3 billion), a comparatively low defense burden (17 percent of the budget and 3.5 percent of the GNP), and large requirements for military equipment that can be bought economically in the U.S. In competition for public resources, however, are the continued need for large investments in the backward south and aid to the less developed countries. The trend toward an adverse balance of payments is another potentially complicating factor.

In addition to these offset purchases, the Italians have taken other measures to help relieve the U.S. balance of payments problem. The Governor of the Bank of Italy, Guido Carli, particularly has played a leading role in the development of international cooperation in the financial field, and both through persuasion and example has influenced other governments and central banks to cooperate.

6. U.S. Bases in Italy: When it became known in Italy last January-February that the decision had been made to dismantle the Jupiter missiles and bring Polaris submarines into the Mediterranean, the Italian Communists immediately charged that the U.S. wanted berths for the submarines in Italy. Both the Italian and U.S. Governments issued forceful statements that such bases had not been requested, and we informed the Italian Government that there was no intention to base them in Italy. The Communist line was effectively countered and they did not succeed in making bases an issue in the recent electoral campaign.

In early June, President Segni made known to American officials that he believed action should be taken soon to weave Italy still further into the U.S. and NATO defense effort. He suggested particularly the installation of more modern tactical missiles in Italy and the provision of more communication facilities and/or bases, if needed,

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for the Polaris submarines and later for the MLF. It was made clear that Segni was not suggesting that Italy seek such bases, but if they were needed, Italy should not shrink from accepting them.

For various technical and financial reasons, the Department of Defense is not currently interested in berthing facilities in Italy for Polaris submarines.

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DOD/ISA-Col. Duff

WE-Mr. Meloy

G/PM-Mr. Meyers

Treasury-Mr. Albright

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June 7, 1963

PRESIDENT'S EUROPEAN TRIP

June 1963

Bilateral Background Paper: Italy

Nuclear Propulsion

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Authority E.O. 11652 SEC. 5(A) and (D)
By ind, NARS, Date 5-10-76

Italian Defense Minister Andreotti and Italian Navy officials have long been interested in obtaining U.S. assistance in developing an Italian capability in the marine nuclear propulsion field. On April 30, Andreotti responded to an earlier letter by Deputy Secretary of Defense Gilpatric, by pressing for bilateral exploratory talks on the prospects for cooperation in developing nuclear propulsion for the Italian navy, preferably in submarines. In view of the unsettling effect on our efforts to obtain agreement on an MLF surface mode that would flow from further bilateral cooperation on nuclear submarine propulsion, Secretary Rusk and Secretary of Defense McNamara in Ottawa on May 21-23 explained to Andreotti that we desire to keep our sharing of nuclear technology in a multilateral context, and therefore we are not emphasizing bilateral relationships. Andreotti then indicated that Italy would prefer submarine nuclear propulsion, but was also interested in surface nuclear propulsion. To Italy, acquisition of the technology was the objective, and Andreotti asked if it would be less difficult for us if the request were for assistance to the merchant marine rather than for the navy. With regard to possible competition for funds between an Italian nuclear propulsion program and MLF or conventional forces, Andreotti said that Italy is not asking for financial help, since financing would come from private shipyards. Secretary Rusk undertook to look into the subject of commercial nuclear propulsion.

At present AEC is preparing a study of the extent to which it may be possible for the U.S. to extend additional meaningful assistance to Italy in this area. The subject will be reviewed with other interested agencies before a response to the latest Italian request is prepared.

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PET-B/I-3

June 7, 1963

PRESIDENT'S EUROPEAN TRIP

June 1963

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Authority E.O. 11652 SEC. 5(A) and (D)

By NSA, NARS, Date 5-10-76

Bilateral Background Paper: Italy

Aviation

Civil aviation represents the one area where relations between Italy and the United States are strained. Moreover this condition has been chronic since 1960. The points of difference, in decreasing importance are:

1. Bilateral Air Agreement: Our granting of Los Angeles to Italy is still being withheld pending agreement by Italy to supply air traffic statistics in accordance with the United States interpretation. We are hopeful that the changes in our own viewpoint as set forth in the Air Policy Review - which were recently explained to the Italians - will now make it easier for both sides to arrive at an agreement on air traffic statistics. This would pave the way for us to grant Italy the Los Angeles stop. The Italian authorities have just requested that bilateral aviation discussions be resumed as soon as possible and we have agreed to accord them priority in scheduling such talks.

2. Increase in United States Airlines 1963 Summer Service to Italy: The Italians have expressed great concern over the increases in the 1963 summer service between Italy and the United States proposed by PAA and TWA. These represent a 40 percent increase over the 1962 summer schedules and, according to the Italians, are not warranted in the light of the projected increase in traffic based on previous years' data. We have already held one round of talks (March) with them in Washington on this problem. Their objections are an attack on the principle of ex post facto review, and tend towards predetermination of airline capacity which we have always opposed. At present the summer schedules are being put into effect without change and the Italians have protested again asking that we curtail PAA and TWA's operations. It is unlikely that our airlines will cutback their schedules or that any action will be taken by the United States Government requiring them to change.

3. Dispute over North Atlantic Air Fares: The recent controversy over North Atlantic round trip economy fares further exacerbated United States-Italian civil aviation relations. Italy was one of the few countries which, lacking the necessary legislation, could not compel compliance and for which the United States carriers, therefore,

did not

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did not shift to the Chandler rates even though requested to do so. They have noted with bitterness that in the case of the UK, which had threatened punitive action against our airlines, fares were raised to the Chandler level, while in the case of Italy, which had behaved in a friendly manner, the rates were not raised, to the detriment of Alitalia, the Italian national carrier.

Drafted by: EUR:WE:Mr. Frank

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Bilateral Background Paper: Italy

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U.S. Views on Center-Left Experiment

Authority E.O. 11652 SEC. 5(A) and (D)
By isp, NARS, Date 5-10-76

The crucial question in Italian politics in recent and coming years is the extent of Socialist separation from the Communists and the dependability of Socialist orientation in defense of democratic ideals in Italy and in NATO. A principal objective of Italy's first center-left government (March 1962-May 1963) was to assist the Socialists in completing their withdrawal from cooperation with the Communists, with whom they had a unity of action pact until early 1957. We cannot say yet whether the experiment has been a success. The effort has been criticized as too risky and the chances of success too slight. The recent Communist electoral gains and the state of confusion in the Socialist Party after the election are adverse factors. Under the center-left government, however, the Socialist increasingly oriented themselves toward European unity, accepted Italy's NATO role, although with limitations, and showed willingness to explore Italian participation in the MLF. We believe that only Italians are in a position to decide about the center-left. During the period before the center-left government was formed and during its existence, the U.S. Government has therefore refused either to press for or to counsel against the experiment. Both advocates and opponents of the experiment have criticized this posture, but we believe that it was and remains the correct position for us to take.

In the immediate post-war period the alternatives in Italy were communism or democracy. In that confrontation the U.S. Government used all available means to strengthen the democratic coalition. The present choice in Italy, however, is between a liberal democratic coalition and a conservative democratic alternative, both of which are threatened by the Communists. These two democratic alternatives between them gained nearly 70% of the votes this year (excluding the Communists and neo-Fascists), whereas in 1958 the single democratic possibility won only 58% (the Socialists then being in opposition). Under these circumstances, our most effective efforts should be directed to encouraging all democratic parties to strengthen their efforts against Communism, without favoring one party, faction, or solution among the democratic alternatives.

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IV. CIA Review & Bio-
ographies - Germany,
Ireland, Italy



THE PRESIDENT'S EUROPEAN TRIP
West Germany - Berlin - Eire - Italy

June 1963



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By nmq, NARS, Date 4/15/77

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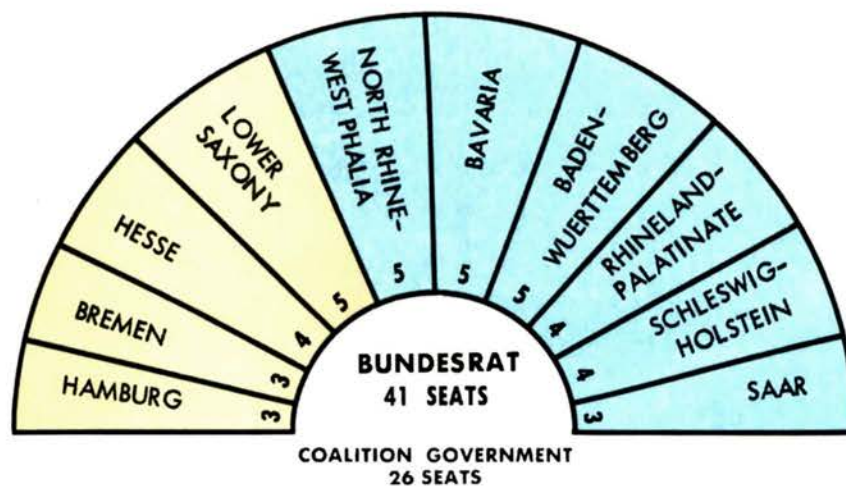
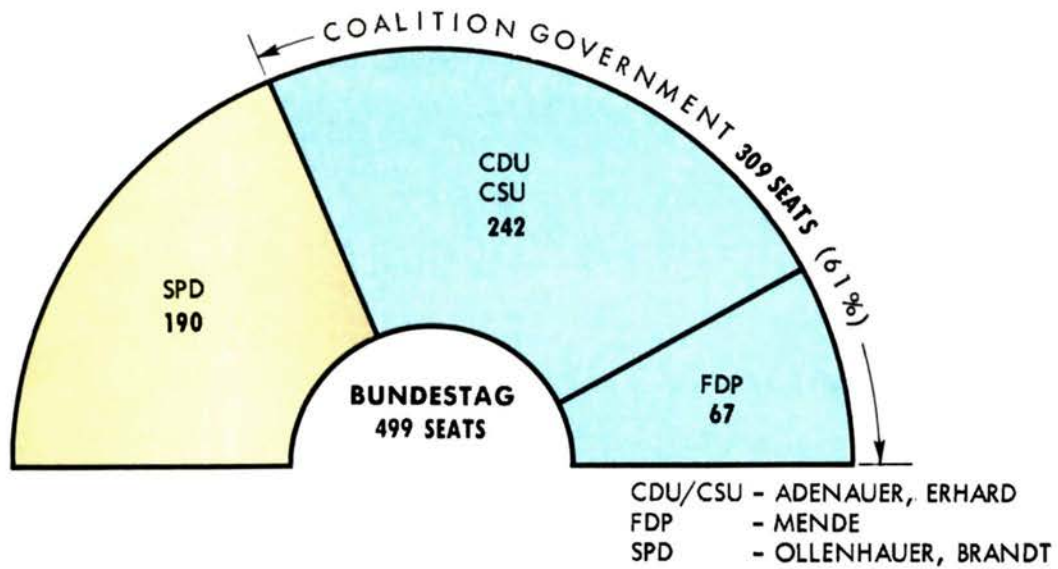
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**IV. SNIE 20-63: SECURITY CONDITIONS IN WESTERN
EUROPE DURING PRESIDENT KENNEDY'S
VISIT (23 June - 3 July 1963)**

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THE WEST GERMAN LEGISLATURE JUNE 1963



CDU/CSU - CHRISTIAN DEMOCRATIC UNION/
CHRISTIAN SOCIAL UNION
FDP - FREE DEMOCRATIC PARTY
SPD - SOCIAL DEMOCRATIC PARTY

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THE POLITICAL SITUATION IN WEST GERMANY

The winds of political change in Bonn are blowing more strongly today than ever before in the Federal Republic's short history. Acutely aware of this, both the Christian Democrats and Social Democrats are quick to trumpet abroad developments favorable to their respective causes and are equally quick with efforts to explain away unfavorable developments. No one expects, however, that the next few months of transition from Adenauer to Erhard will bring any unpleasant surprises.

Economics Minister Erhard will be taking over in a period of sharp decline in the CDU's political fortunes, which was recently displayed in its losses in state elections in West Berlin and the Rhineland-Palatinate. The nagging question now for Christian Democrats is whether their decline has been halted and an upswing can be hoped for in the near future.

The CDU's hopes have been raised by the results of the 19 May balloting in the Socialist stronghold of Lower Saxony. The SPD rightfully claimed an over-all victory on the strength of its gain of seven seats in the state parliament, in which it now is only two seats short of a majority. The CDU, however, has taken comfort from the fact that it outgained the SPD--reversing the downward trend in its fortunes during the past year.

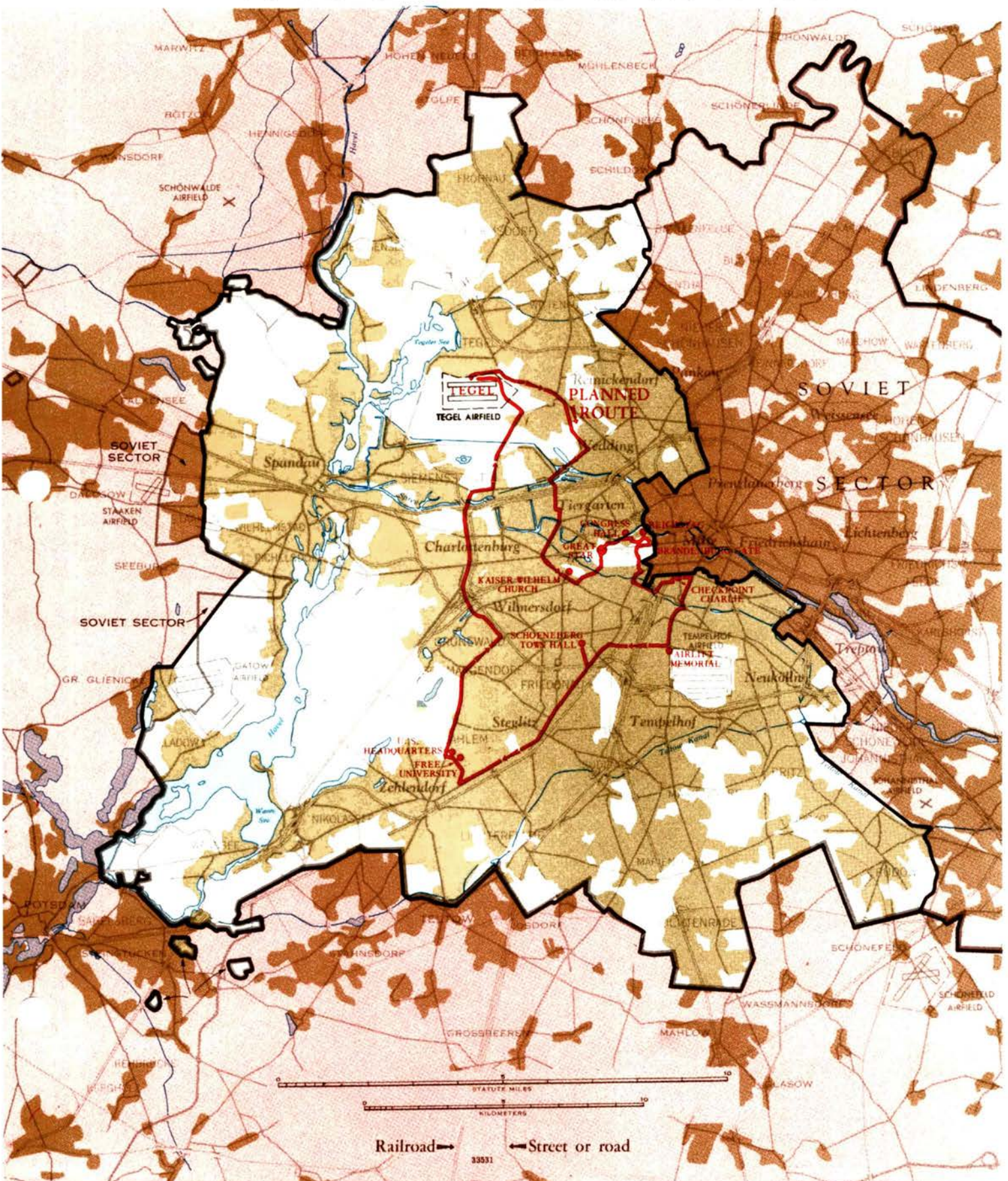
CDU circles attribute the party's good showing to a whirlwind last-minute campaign by Erhard, Erhard's successful mediation of the potentially dangerous metalworkers strike early in May, and his prominent role in the GATT negotiations, have also lent encouragement to the CDU. Friction in the party will decline and criticism of Erhard's alleged deficiencies probably will tend to subside.

Outlook for 1965 Elections

Political pundits in Bonn are currently crystal-balling the 1965 national election as a toss-up. For the first time, they are conceding the Socialists a real chance to outdistance the CDU in a national campaign. Public opinion polls, looking toward 1965,

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WEST BERLIN



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give conflicting results. One recent poll showed Erhard with a substantial lead over any other potential chancellor-candidate, including Willy Brandt. A current party preference poll, however, indicates that an election held in March would have given the SPD 47 percent of the vote, the CDU 41 percent, and the FDP 8 percent.

In these circumstances, the prevailing mood within the SPD leadership has been buoyant, but alloyed with caution. The SPD has taken to proclaiming itself West Germany's leading party, but is careful not to risk taking unpopular stands on leading issues. On 16 May, Socialist deputies in the Bundestag, despite their expressed doubts, voted almost unanimously for ratification of the Franco-German treaty. Earlier in the month, the Socialists chose to abstain rather than vote against the government's defense budget.

Bonn's third-ranking political force, the Free Democratic Party, appears satisfied with its current position and confident that it will be able to continue to hold the balance of power on the national level, as well as in several of the states. The FDP has voiced its satisfaction with the choice of Erhard and seems fully prepared to serve in coalition under him.

Situation in West Berlin

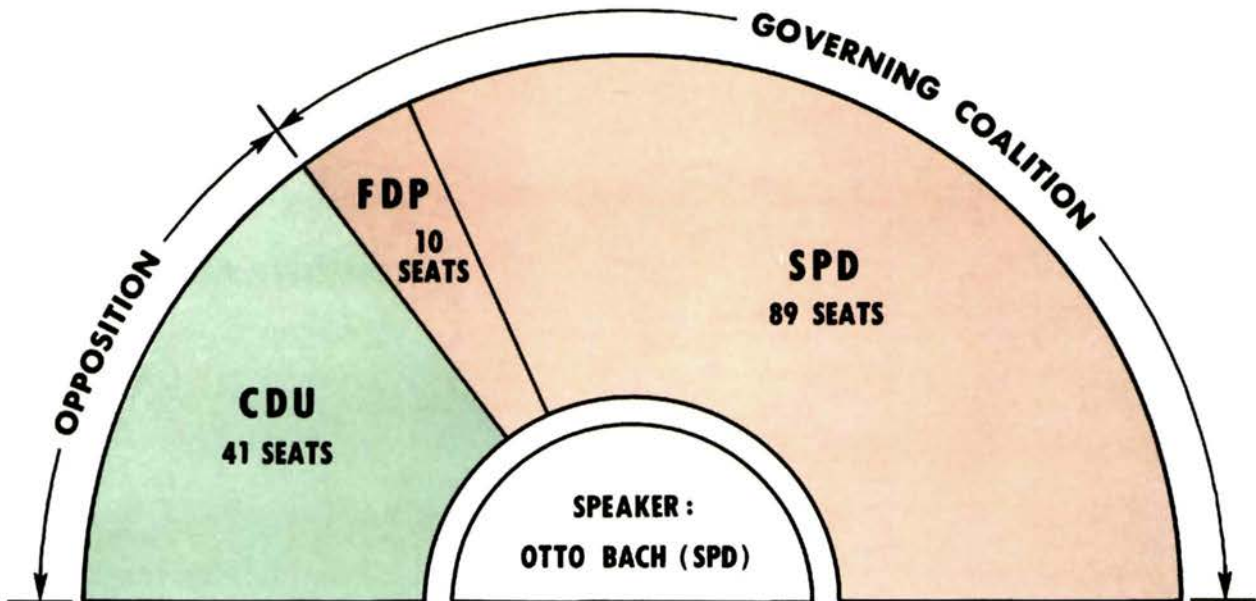
Conditions in West Berlin this spring have been reasonably satisfactory. The morale of the West Berliners is high, but vulnerable. The Wall is a constant irritant, and continues to provoke retaliatory incidents despite preventive measures by the West Berlin authorities. Production continues to increase, although at a reduced rate. The leveling off of production is the result of the continuing shortage of labor, thinner order books since the erection of the Wall, and the reluctance of West German investors to take a chance in the city.

The Bonn government continues to make good Berlin's budget and trade deficits, and will contribute aid this year to the extent of about \$700 million, or roughly 20% of the West Berlin gross product.

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THE COMPOSITION OF THE WEST BERLIN HOUSE OF REPRESENTATIVES

Following the Election of 17 February 1963



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THE WEST BERLIN ELECTORAL SYSTEM

The West Berlin electoral law of 28 March 1958 endeavors to combine the best features of a direct-election system with those of proportional representation. There are 140 seats in the West Berlin House of Representatives. One deputy is elected by majority or plurality vote from each of the city's 80 election districts. In the 17 February 1963 election, the SPD captured all of these seats. The remaining 60 seats are allocated according to the d'Hondt System of Proportional Representation, so that each party polling more than 5% of the total vote receives a number of seats in the House proportional to the total number of votes which it received in the election. When this system was applied to the results of the 17 February 1963 election, the SPD was allotted 9 additional seats, the CDU received 41 seats, and the FDP received 10 seats.

West Berlin is broken down into 12 administrative boroughs. Of these, nine presently are governed by SPD mayors and three--Zehlendorf and Steglitz in the US Sector and Wilmersdorf in the British Sector--by CDU mayors. All borough mayors hold office for six-year terms and will be up for election in 1964.

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Economic Outlook

Last year, West Berlin's gross product was up 3.2% (at constant prices), but this rate of growth was less than the 1962 rate, and below that for West Germany as a whole. The prospects seem good for a better performance than last year, although industrial orders are still not increasing as much as the Berliners would like.

Mayor Brandt is anxious to keep Berlin from stagnating economically. In his view, the economy must be expanded, but this cannot be done without greater investment in the city and a growing labor force. He believes positive steps must be taken to counter the slight but steady annual drop in the population, which includes a high percentage of older persons, compared to West Germany. After the erection of the Wall, Berlin undertook a program of attracting workers from West Germany, and imported 18,000 in the first year. It has also imported some foreign workers--mainly for the construction industry--and plans to hire more, although this program will probably not become a large one because of the objections of the Berlin trade unions. While West German recruitment has been successful, most of the newcomers are unmarried, and many of the men are primarily motivated by the desire to postpone their military service. The Senat would like to attract young married couples who will make their home in Berlin. Since the shortage of housing is an obstacle, the Senat has announced an ambitious construction program that will run for years.

Brandt's Views

As he began his second full term as governing mayor this spring, Brandt said that his policies would in general follow the same lines as in the past. Brandt and the Social Democrats are trying to give the public impression of being active, forward-looking, independent, and willing to find a way to deal with the East German authorities short of formal recognition. That this approach is generally endorsed by the West Berliners seems clear from the outcome of the 17 February elections this year, in which the SPD increased its share of the ballot by 9% to score a thumping 62% of the total.

This was partly a result of Brandt's expressed willingness to meet with Khrushchev. The population probably hoped that such a meeting might bring some alleviation of the separation of families and friends by the East Germans' refusal to permit West Berliners to cross the sector border into East Berlin. Brandt's eagerness to end this situation leads him to play down the danger that his contacts with the East Germans might be interpreted as implying de facto recognition of the East Zonal authorities.

Brandt believes that a new and satisfactory modus vivendi can be worked out with the East Germans. Most of his specific suggestions for an agreement would have the effect of strengthening the Western position. He is prepared to have the East Germans participate in an access authority, but he insists that free access be fully guaranteed. While he favors increased "technical contacts" with the East Germans on mutual city problems, he has said that there will be no "negotiations" between the West Berlin government and the Zonal authorities.

In contrast to CDU spokesmen, Brandt has been publicly emphasizing Western rights and responsibilities in the Western sectors of the city rather than in all four sectors. Although he has thereby appeared to concede Communist control of East Berlin, he has taken a strong position that Western authority in West Berlin is unimpaired and has called for reduction of Communist influence. He regards West Berlin as a part of the Federal Republic, an interpretation not shared by the Allies, and he is very restive over any Allied acquiescence in Soviet efforts to stipulate what can or cannot be done in West Berlin. In expressing his objection to the Allied position in April 1963 against holding a Bundestag meeting in Berlin, Brandt said publicly that the decision to hold such a meeting was solely up to the Bundestag president, and that the Allies were displaying exaggerated caution.

Brandt feels Berlin ought to be included in treaties between the Federal Republic and bloc countries, despite the increasing difficulty which Bonn experiences in getting references to Berlin accepted. Other evidences of Brandt's essentially "tough" attitude are his desire that the Allies do

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something to end Communist control of the elevated railway (S-Bahn) through West Berlin and his opposition to suggestions that the UN could in any measure take over responsibility for the city.

Brandt and the Senat hope to give Berlin a new raison d'etre--apart from its role as the capital of a future unified Germany--by making it a center for cultural and scientific activity, exhibitions, and tourism. A broad development plan includes such projects as a training institute for developing countries, an automation institute, and an international scientific documents center.

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LUDWIG ERHARD: A PROFILE

The next West German chancellor, if all goes according to plan, will be Ludwig Erhard, a 66-year-old Bavarian economist. Among West German businessmen and the public at large, Erhard is regarded as the architect of the "miracle" of the post-war economic recovery. Even more than Adenauer, he is likely to be mindful of US concerns and desires in the conduct of his policies and in this respect the transition to Erhard will bring no important break in continuity. Even now, however, there is plenty of room for doubt that Erhard's tenure as chancellor will survive the Federal Republican elections in 1965.



Both Adenauer and Erhard are very much in the German tradition, and it is a commonplace that Adenauer has been a comforting symbol of continuity and respectability to the Germans. Erhard, on the other hand, stands for order and the prosperity which is its fruit. Adenauer has epitomized for the Germans the Roman virtues and far-seeing vision they associate with the great leaders of their past. Erhard stands for the New Germany, prosperous, energetic, go-getting.

Erhard's Background

The son of a dry-goods merchant, Erhard is an extraverted, self-confident, self-made man. His early training in business was interrupted by military service in World War I, in the course of which he was severely wounded. He subsequently went to a commercial college, next to Frankfurt University, and then to the staff of the semi-public Institute for Economic Observation at Nuernberg, where he rose to be director. His hostility to the Nazis was already clear in articles he published before 1933, during which period he voted Social Democratic in the Reichstag elections.

His big clash with the Hitler regime, however, did not come until 1942 over his refusal to join

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the German Labor Front. As a result of Nazi party pressure a court verdict was rendered against him which cost him his job and a 500-mark fine. Erhard then joined the Institute for Industrial Research, supported by business firms, and again became director. Some of his views favorably impressed the Reich Economics Ministry, which commissioned him to do consumer research. For a number of years during the war, Erhard also was an adviser to the government of Westmark, a province set up to include Lorraine, and used this position to keep industries out of arms manufacturing and to prevent Reich Germans from grabbing Lorraine properties.

Erhard was in frequent contact with Karl Goerdeler, a leading figure in the 20 July 1944 plot on Hitler's life, and Goerdeler evidently intended to give the economist a place in a post-Hitler cabinet. Erhard's caution evidently saved him when the July plot failed.

Early Post-WW II Career

At the end of the war, Erhard was given a clean bill of health by the denazification panel, and he was first employed by US Military Government to get industry going again in the Nuernberg-Fuerth area. Shortly he was called to Munich to become state Minister of Economics. His experience there was not happy. He came under fire when it was discovered that many Nazis had found refuge in his ministry. After fourteen months, Erhard resigned, and spent a short time as a professor before assuming the post of Director of the Money and Credit Office of the Bizonal Economics Administration.

In this job he prepared the currency reform of 1948 that proved sensationally successful in launching Germany's recovery. A short time later, he became Director of the Bizonal Economics Administration and displayed boldness and self-confidence in abruptly abolishing rationing and price controls, to the consternation of his own advisers and US Military Government. The free, competitive system he installed, however, was also a success.

A Protestant, although not prominent in church activities, Erhard is married, and has one daughter,

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who is also an economist. Erhard speaks some English, and sometimes does so on social occasions, but prefers to use German in discussing business.

Erhard's identity as the technician par excellence has created doubts in Bonn political circles--FOS--tered in some degree by Adenauer's own attitude--that he possesses the necessary political acumen. With an elderly aristocrat's condescension toward a younger man, Adenauer has left no doubt that he thinks Erhard is merely a competent staff man. To some extent, this is probably Adenauer's real judgment on a long-time follower, the only member of his original cabinet still in office.

Adenauer's attempts to undermine Erhard, however, have been part of the political game he has prolonged for many months aimed at perpetuating doubt about his intention to retire. For yet a few more months he evidently wishes to retain as much of his old authority as he can, unvitiated by the shift of loyalties to a successor. That this is Adenauer's wish is clear to other Bonn politicians, including Bundestag President Gerstenmaier, who has warned Adenauer that he must keep his promise to step down or face the displeasure of the legislature.

Party executive director Dufhues, for whom Adenauer has no love, has spoken of complete retirement for the chancellor. Others believe that Adenauer may hang onto the CDU chairmanship, at least until the party congress in 1964, and may be toying with the idea of running for the federal presidency next year.

In addition to the fact that Erhard does not have Adenauer's whole-hearted blessing, Erhard's critics weigh against him his refusal to try to overthrow Adenauer. In his own defense, Erhard has argued that he has owed steadfast loyalty to his chief of fourteen years' standing, and that the party would suffer more from dropping Adenauer than from allowing him to serve out his time. Nevertheless, in some quarters Erhard is regarded as a yes-man lacking in political pugnacity who will be unable to bring to the chancellorship anything like the energy and decisiveness its broad powers require.

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Erhard's Views

Notwithstanding such doubts as these, however, Erhard is virtually certain to be installed as chancellor next fall, probably in October, and he has already begun private negotiations looking toward the formation of his cabinet and has made some of his personal views known to foreign diplomats.

Erhard has long and consistently enunciated a brand of economic liberalism that strikes many as typical of the nineteenth century. He favors what he calls a "social market economy," and gives credit to the policies he has espoused to achieve it for the Federal Republic's phenomenal post-war recovery. His views differ from the undiluted laissez-faire liberalism of the last century, still represented in Germany by the Free Democrats, in that Erhard believes in using public authority to maintain conditions permitting the "free interplay of economic forces," and to assure the continued stability of the economy. After a long fight he was successful in securing adoption of an anticartel law, although one less vigorous than Erhard wanted.

Erhard's association with the anticartel law is a partial riposte to his German critics who look upon him as a foe of labor. This charge was revived in May of this year when Erhard intervened to bring a settlement of a strike among metalworkers. The dispute was settled on a compromise formula in accordance with Erhard's rule of thumb that wage raises should be matched by increased productivity. Neither the unions nor management can claim Erhard as their own. He calls the big corporation managers "economic eunuchs" because of their impersonal approach, and he considers labor unions "the worst form of cartel." Over the past year he has fought increases in wages and prices alike. He used every means possible last year to roll back a hike in auto prices, but lost the battle and some prestige as well. His recurrent theme is that dangerous inflation is ahead if brakes are not put on the wage-price spiral. Erhard is a believer in the doctrine of creating property for all. A notable application of this idea was the sale in 1961 of stock at reduced rates to employees of the government-run Volkswagen firm.

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As might be expected, Erhard views politics very much from the viewpoint of an economist. In 1959, he explained to a Munich paper: "In principle I am of the opinion that in the sphere of economics and in the sphere of politics, things must not take place separately. They are an indivisible whole. I believe in the free interplay of forces, in politics and in the economy."

One of his major differences with Adenauer has been over the European Common Market. While Adenauer has been interested in the EEC mainly because it promotes Europe's political unification, Erhard feels that the political goal, while good, does not justify restrictive practices or economic planning, which are anathema to him. He fears that the EEC--a "good beginning"--may develop into a protectionist system, and he comments, "protectionist systems in our time fit into the system of free world economy about as well as a fist fits into your eye." He emphasizes that Europe cannot exist as a force by itself; economic cooperation must develop in ever-widening circles. He insists on the necessity of Britain's membership in the Common Market, and on a strong Atlantic partnership.

Erhard opposes proposals to organize supranational European institutions, and on this point, but not on the question of broadening membership in the EEC, he seems to be in agreement with De Gaulle. He cherishes the ideals of fatherland and nation, and wants European unification to proceed on a confederative basis.

With regard to NATO, Berlin, and relations with eastern Europe, Erhard's ideas are orthodox. When it appeared that he might become chancellor in 1959, he remarked that under his guidance, foreign policy would remain basically unchanged. He opposes any tendencies toward recognition of East Germany, although he favors a lively interzonal trade and believes that the West must retain an influence in the East Zone to give its people hope. He does not regard disengagement or neutralization as the answer to the German problem, and has commented, "I see only one single possibility, but I hardly dare to voice the worn-out term: general controlled disarmament." He thinks it would be dangerous for Bonn to offer

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independent solutions to the German problem. He has at times argued, however, that the Western powers in concert might obtain satisfactory Soviet non-aggression guarantees if they offered far-reaching economic concessions. Erhard has rarely commented on defense matters, but has indicated that he approves the idea of a multilateral nuclear force.

The CDU's selection of Erhard as Adenauer's successor was generally regarded in West Germany as long overdue. His adherents and critics alike seem to have felt a sense of relief that the decision has been made, and they generally feel that Erhard deserves a chance to make good. Within his own party, few believe he will be a strong chancellor, and many in both the CDU and the SPD expect him to be a weak one. Although there is some sentiment that this view is wrong, the prevailing judgment is that Erhard is an interim chief, who will be a vote-getter in the national elections in 1965, but likely to be pushed aside by a stronger figure, perhaps Foreign Minister Schroeder, after that.

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Heinrich ALBERTZ
Mayor of Berlin

Heinrich Albertz, Protestant pastor turned politician, is the new Mayor of Berlin as a result of the recent SPD landslide victory. His election resulted from the collapse of the long-standing CDU-SPD coalition, and represents the first time that the offices of Governing Mayor and Mayor have been in the hands of one party.

Before becoming mayor Albertz had served as Berlin Senator of the Interior since 1961. In his new capacity Albertz is exercising the most important functions of his old job, including internal security and control of the police, in addition to his responsibilities for much of the day-to-day conduct of municipal affairs. This arrangement was designed to allow Governing Mayor Brandt to devote himself to major policy matters.



Born in Breslau, Silesia, Albertz was serving as an ordained Protestant minister in 1939 when he was arrested and jailed for two months for anti-Nazi activities. In 1942 he was drafted, and served as an infantryman throughout the war. In 1946, after becoming convinced of the importance of a reconciliation of Christianity and socialism, he entered active politics in the SPD, remaining in politics in the Federal Republic until appointed Deputy Senator for Education and Culture, Berlin, in 1955. Albertz rose to Chief of the Berlin Senat Chancellory in 1959, and became close to Brandt both politically and personally. He has served as Chef du Cabinet under Brandt since 1961.

Albertz has been described as "a fine, articulate, undogmatic representative of modern Social-Democracy," and at the same time has been criticized for a certain superficiality of manner and an inadequate attention to detail. He is sympathetic toward the U.S., and seems to have grown more conservative over the years. Albertz' knowledge of English is poor. He is married, and has a son and two daughters.

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Rainer BARZEL
Minister for All-German Affairs

Rainer Barzel succeeded Ernst Lemmer as All-German Affairs Minister in the December 1962 cabinet reshuffle. A rising young politician active in the formation of CDU social and cultural policy, Barzel has been a Bundestag member since 1957. He has been regarded as a general supporter of Adenauer's policies, including all-out support for Franco-German friendship, and is also believed to be influential in the left wing of the party.



Barzel was born 20 June 1924 in East Prussia, but was reared in Berlin. In 1941 he began military service in the Luftwaffe and attained the rank of lieutenant as a naval aviator. He earned a doctorate in law in 1949 from the University of Cologne, and shortly thereafter entered the government service in North Rhine-Westphalia. In 1955 Barzel at thirty became the youngest government official to achieve the rank of Ministerialrat.

In 1959 Barzel was one of the organizers of the Rettet die Freiheit (Save Freedom) movement, which was ostensibly a private, nonpartisan organization to mobilize public opinion against communism, but which was strongly criticized as a means of increasing CDU resources under a tax-exempt cover. He reportedly lost personal prestige as a result.

Although considered overly ambitious by some of his colleagues, Barzel has been useful to the CDU because of his energy and skill as a speaker and writer. A visitor to the US in January-March 1956, Barzel speaks English and has been described as friendly to Americans. He has been married since 1948 to the former Kriemhild Schumacher and has one daughter. He is a Roman Catholic.

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Karl CARSTENS

First State Secretary

Ministry of Foreign Affairs

Dr. Karl Carstens is one of the few Foreign Ministry officials who enjoy Adenauer's personal confidence, and is said to be one of the chancellor's chief advisers on foreign policy. He is deeply interested in European integration, and has won great respect from his colleagues and US Embassy officers for his ability and judgment in this field.

Born in Bremen in 1914, Carstens studied law at several German universities, receiving a Doctor of Laws degree in 1937 from the University of Hamburg. In the same year he joined the National Socialist Party, and began practice as a junior barrister. Dr. Carstens entered the army in 1939, was commissioned in 1942, and served through 1945.



At the end of the war Dr. Carstens came to the US as an exchange student at Yale, receiving a Master of Laws degree in 1948. At that time he turned down an offer to remain on the Yale faculty, and returned to Germany. From 1949 to 1954 Dr. Carstens served as Plenipotentiary of the Bremen Land Government with the FRG (a liaison job). In 1954 he was appointed Permanent Representative to the European Council at Strasbourg, leaving in 1955 to become Deputy Chief of the Political Division of the Foreign Ministry. In the 1958 reorganization Dr. Carstens was appointed Director of the European (West I) Division and continued in this position until his appointment as State Secretary in July 1960. His present job includes responsibility for the First and Second Political Divisions (excluding European Communities), the Legal Division and the Protocol and Personnel/Admin Divisions.

Carstens is usually direct and forthright in his contacts with US Embassy officers, always tending to defend the official line and never expressing personal views. He neither smokes nor drinks, and has been described as somewhat reserved socially, though gracious and agreeable. He last visited the US in 1956 as a member of Chancellor Adenauer's entourage. Dr. Carstens' wife is a physician. They have no children. He speaks excellent English and French.

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Rolf DAHLGRUEN
Minister of Finance

A solid Hamburg-type businessman, with a reputation for getting along with people, Dahlgruen has promoted smoother working relations between the Finance Ministry and other government agencies than did his austere predecessor, Heinz Starke. Generally considered a member of the Free Democratic Party's right wing, he opposes as "socialistic" public spending on welfare items.

Dahlgruen has served as a Bundestag deputy since 1957. He was a member of the Bundestag committee which investigated the role of former Defense Minister Strauss in the FIBAG housing scandal, and prepared the first report on the case, which was referred back to committee for further investigation.



Now 55, Dahlgruen is the son of a veterinarian, and received a doctorate of laws from the University of Goettingen in 1937. He then joined the staff of a tire and rubber company in Hamburg, and shortly was appointed head of the concern's legal division. He held this position until he took over as Finance Minister in December 1962.

Dahlgruen joined the NSDAP (Nazi Party) in 1933, but reportedly was only a nominal member. He joined the FDP in 1949. His company is said to have contributed liberally to the FDP's campaign fund in 1957 to ensure that he would win a Bundestag seat.

A man of distinguished appearance, Dahlgruen is highly respected for his intelligence, good sense, perseverance, and talent for delivering concise, clear, and unemotional speeches. A Protestant, he has been married since 1937 to the former Kaethe Helmuthaeuser, and has one child. He enjoys hunting and has some knowledge of English.

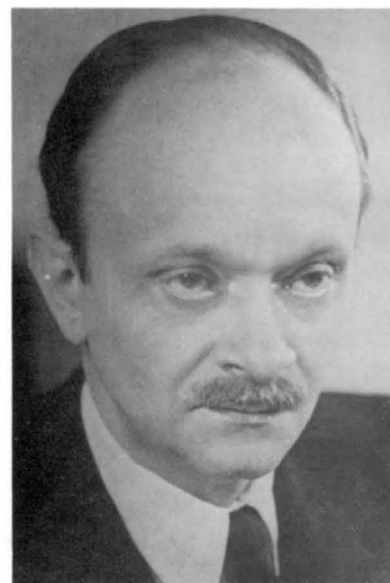
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Felix von ECKARDT
Plenipotentiary of the Federal
Republic in Berlin

A debonair,, well-poised, elegant individual, von Eckardt has been since May 1962 West Germany's principal representative to Berlin. A journalist by trade, he previously served for ten years as head of the Federal Press and Information Office.

In Berlin von Eckardt represents the Chancellor's point of view and reports to Bonn on Berlin developments. He is generally considered to be close to Adenauer, but is said to be capable of standing up to the Chancellor when their viewpoints diverge. In his initial Berlin press conference he took a strong stand against weakening the city's ties with the Federal Republic.



Von Eckardt was born in 1903, the son of a former newspaper editor, and was a political and diplomatic correspondent in the 1920's. He remained aloof from the Nazi regime, and during its ascendancy busied himself as a scriptwriter for non-political films. Following the war he became co-publisher of the Bremen-based Weser Kurier, a newspaper of moderate, independent, pro-Western outlook.

In 1952 he became chief federal information officer. He gained the reputation of being friendly, cooperative and able in his dealings with the press. In 1955 and 1956 he temporarily left the press office to become West German observer to the UN. He suffered a mild heart attack in 1959. In 1961 he was an unsuccessful CDU candidate for the Bundestag.

Von Eckardt has traveled widely in his official capacities, but speaks English only moderately well. A smallish man physically, he is well-dressed, socially pleasant, and intellectually inclined toward literature and the arts. A good horseman, he is very fond of animals. Some observers have found von Eckardt and his wife to be impressed with themselves and subject to flattery. They have two sons.

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Eugen GERSTENMAIER
President of the Bundestag

Eugen Gerstenmaier, a leading Protestant clergyman and member of the Synod of the Evangelical Church in Germany (EKD), has served as President of the Bundestag since 1954. A nominal member of the CDU, Gerstenmaier first achieved international prominence as Director of the Hilfswerk der Evangelischen Kirchen in Deutschland (HEKID), an organization that came under some criticism for questionable currency and customs dealings while administering a large-scale relief program in the immediate post-war era.



Born in 1906 of lower-middle-class parents, President Gerstenmaier combined work and study, graduating summa cum laude from Rostock in 1935. The record of his attitude toward the Nazis in this period is not entirely clear. Gerstenmaier claims to have been arrested for antiregime activities in 1934, and was closely involved with Pastor Niemoeller in anti-Nazi activity, breaking with Niemoeller when the latter limited his resistance to the spiritual level while Gerstenmaier advocated active resistance. However, Gerstenmaier joined the Nazi-controlled German Students Assoc., becoming a Leader of the Theological Section and later (1937-39) became a cavalryman in the Storm Troops.

As a churchman, President Gerstenmaier's church activity was as an administrator concerned with foreign liaison, and in this capacity he was permitted to leave the country in 1940 to conduct an undercover anti-Bolshevik campaign in the Orthodox Churches of Rumania, Yugoslavia, and Bulgaria. Upon his return, his passport was withdrawn for "political unreliability." Subsequently, Gerstenmaier became active in a resistance group centering around Count Moltke, largely composed of young Christian conservatives who were responsible for the 1944 assassination attempt. Six months after the attempt Gerstenmaier

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was arrested and sentenced to seven years of imprisonment, of which he had served three months before he was liberated by U.S. troops.

Entering politics in 1949, Gerstenmaier was elected as a CDU deputy to the Bundestag where he served as Chairman of the Committee for Foreign Affairs from 1953 until elected President in 1954. He has been a Deputy Chairman of the CDU since 1956.

Gerstenmaier combines an interest in foreign affairs with a practical concern for domestic politics, particularly as this affects his own future prospects. Always something of a maverick, he sees himself as the potential Chancellor of a coalition government of the CDU/SPD, and is thus very reluctant to become identified too closely with CDU policy. He is deeply concerned with reunification and the future development of a strong German state, and criticizes Adenauer for a lack of commitment to these goals.

Gerstenmaier is dynamic, hardworking, and ambitious. These qualities of personality account in part for his rapid rise to power, and for the suspicions as to his actual motives.

President Gerstenmaier has been married since 1941 to the former Brigitte Schmidt and has two sons and one daughter. He has visited the U.S. several times and has a slight knowledge of English.

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Hans GLOBKE

State Secretary in the Federal Chancellery

As State Secretary Globke exerts considerable influence throughout the German Government. This derives primarily from the confidence Adenauer places in him. As Adenauer's right-hand man, Globke is in effect a highly competent and trusted chief of staff.

Globke plays a key role in relations between the Chancellery and the German Legislature. He is responsible for reviewing draft bills and reporting on them to the Chancellor, and for drafting those bills initiated by the Executive.

Born in Duesseldorf in 1898, Dr. Globke studied law at Bonn and Cologne and entered the civil service in the Twenties. In 1929 he joined the Ministry of the Interior, advancing in the civil service through the Hitler period. His participation in government under the Nazis has exposed him to repeated attacks from political opponents in West Germany and elsewhere for his association with the Jewish persecutions. Globke was never a party member, however, and post-war investigations by the Allies established his acceptability for public office. Adenauer has consistently defended Globke from attack on these grounds.

Globke is described as the sort of man who, having once grasped Adenauer's views and wishes, is capable of independent initiative. Despite Globke's political liabilities, Adenauer apparently has found his intellectual and executive talents extremely valuable.

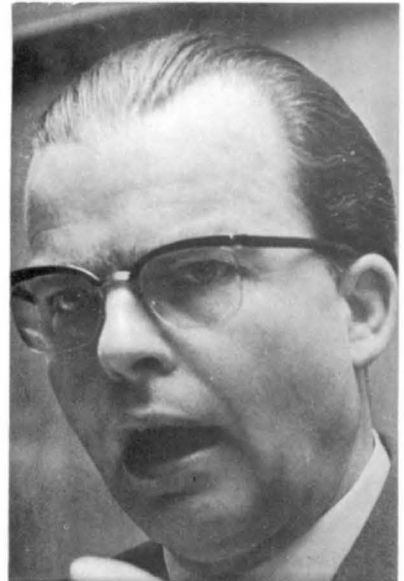
A Roman Catholic, Globke married Augusta Vaillant in 1934 and has three children, two boys and a girl. He reportedly plans to retire when Adenauer leaves office.



Karl-Guenther VON HASE
Chief of the Federal Press and
Information Office

Von Hase became chief press spokesman for the Federal Republic in June 1962, following a meteoric career in the foreign service. He has been described as a modest man of great integrity and ability, and is reported to be particularly close to Adenauer.

He entered the Foreign Ministry in 1950 on the clerical level and by 1961 rose to the post of division chief with responsibility for the UN, NATO and defense, disarmament and security, the British Commonwealth, North and South America, and Africa south of the Sahara. Initially ineligible for the professional service because he lacks a university education, von Hase cajoled Foreign Ministry authorities into letting him take the foreign service examinations, which he passed with flying colors.



Von Hase served from 1958 to 1961 as chief of the press section of the Foreign Ministry and in this capacity accompanied Adenauer on several visits to the US. Von Hase has been charged in some quarters with being directly responsible for the leak of the US negotiating position on Berlin in the spring of 1962.

Born on 15 December 1917, the son of a Prussian police official, von Hase served for a period during World War II as a major on the German General Staff. He was transferred to the Eastern front following the involvement of several of his relatives in the abortive assassination of Hitler. Captured by Russian forces in February 1945, he remained in Soviet custody until December 1949.

Von Hase is married to the former Renate Stumpff, by whom he has five daughters. In addition to English, he speaks French and Russian. Of a scholarly inclination, he is interested in history, international law, classical music and Renaissance painting.

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Kurt Georg KIESINGER
President of the Bundesrat

Kurt Georg Kiesinger, Minister-President of Baden-Wuerttemberg in South Germany since December 1958, is currently serving a one-year term as President of the Bundesrat. In this capacity he is ex officio Deputy Federal President. Also a CDU Bundestag deputy from 1949 until 1958, Kiesinger was his party's parliamentary spokesman on foreign affairs.



Born in 1904 in Wuerttemberg, Kiesinger studied law, philosophy, and history, and published a book of his poetry. He joined the Nazi Party in 1933, but claims that he did so to represent the interests of the Association of Catholic Students. At this stage in his career Kiesinger is reported to have termed politics "a field absolutely unworthy of the thinking man." He practiced law until 1939 when he entered the Foreign Ministry where he served in minor positions through the war years.

After the war Kiesinger re-established a law practice and became active in CDU politics. He was immediately successful, and by 1954 had reached national prominence as Chairman of the Bundestag Foreign Affairs Committee. Considered one of the most promising young CDU Deputies and a protégé of Adenauer, Kiesinger was frequently mentioned as a candidate for higher position. His failure to win appointment to high office has been attributed to his lack of administrative ability, his association with the Nazis and right-wing elements, and to the need for his services as committee chairman.

Kiesinger is more rhetorician than leader, and has been characterized as "a weak man who tends to back water when the going gets rough." He is frustrated at being passed over, which undoubtedly

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contributed to his decision to step down from his Bundestag post in 1958 and accept his present position as Minister-President. He retains his ambitions, however, and has come to differ more with Adenauer's policies in recent years, though without making many concrete proposals of his own.

In 1932 Kiesinger married the former Marie-Luise Schneider, and has a son, Peter, and a daughter, Viola. He retains his interest in lyric poetry, but is unable to engage in more strenuous activities because of a heart attack he suffered in 1955 and mild neuritis. In 1954 he visited the US on a leader grant, and has made several trips since. He has a fluent command of English and some French.

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Franz KRAPF
Chief, Political Division II
Ministry of Foreign Affairs

A career diplomat who is generally regarded as able, energetic and well-informed, Krapf has charge of questions relating to the US and Canada, the Sino-Soviet bloc, NATO and defense, disarmament and security, and reunification. Prior to his return to the foreign office in September 1961, he served as Minister Counselor and deputy to Ambassador Wilhelm Grewe at the German Embassy in Washington.



Now 52, Krapf studied political science at Amherst College in 1931-32. Following three years as an exchange student in Japan, he returned to Germany in 1938 and accepted an assignment as an SS Untersturmfuehrer (second Lieutenant) with the Security Service (SD) under control of the SS High Command. He had been a member of the SS since 1933 and a Party member since 1936.

He left the SD after a few months to enter the foreign office, where he served the Far Eastern Affairs desk, prior to successive assignments at the German embassies in Cairo, Moscow and Tokyo, where he remained until the end of World War II.

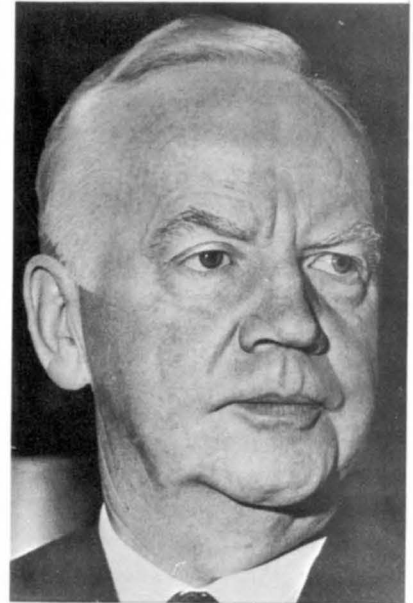
He re-entered the foreign service in 1951, dividing his time between assignments in Paris and Bonn, prior to coming to Washington in 1958. Married to a woman of Swedish birth, Krapf is the father of three children. He has an excellent command of English, and is also fluent in French and Japanese.

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Heinrich LUEBKE
President of the Federal Republic

Before his elevation to the presidency in September 1959, Luebke was not a man of commanding political stature. A mild-mannered man of benign appearance, he has, however, proved himself a worthy successor of the revered Theodor Heuss in what is largely a ceremonial post.

By no means a leading candidate for the presidency, Luebke emerged as the CDU's compromise choice when Adenauer decided not to seek the post. Luebke has traveled widely as the Federal Republic's chief representative, particularly to visit new states, and has made a special point of cordiality to visiting African heads of state. He has tried to exercise greater political influence than did Heuss, and by no means can be regarded simply as Adenauer's disciple. In fact, Luebke is believed ready to override his wife's wishes and run for re-election in 1964 in the event that Adenauer should again get presidential fever.



From 1953-59 Luebke was Minister of Agriculture. His policies generally won popular acclaim, though the influential Farmers' Association, regarding him as insufficiently protectionist, opposed his renomination in 1957. Adenauer showed his confidence in Luebke by reappointing him.

Luebke was born on 14 October 1894. His father was a village shoemaker and also tilled a small plot of land. Following service as a lieutenant in World War I, Luebke undertook his university training, graduating as an agricultural engineer. During the Weimar Republic he served as an official of a number of agricultural organizations.

Elected to the Prussian state legislature on the Center (Catholic) Party ticket, Luebke was ousted

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from office when the Nazis took power in 1933. Critical of their regime, he was jailed for short periods several times during the next few years. He was unemployed until 1937 when he was hired by the Municipal Housing Construction Authority in Berlin. To his surprise he was also inducted into the military reserves, where he attained the rank of captain.

During the war he was associated with a Berlin firm charged with carrying out construction at the Peenemuende rocket test site. Because of this, scurrilous attacks have been leveled against him by East German propagandists and by Der Spiegel.

Luebke has a reputation for integrity, ability, and political courage. He is frank and courteous in expressing his views, but has demonstrated that he can also be firm and even stubborn. Not an orator, he still has a dignified platform presence with his white hair, blue eyes and rosy complexion.

He is friendly toward the US, but speaks very little English. By contrast, his wife, Wilhelmine, is a linguistic marvel, speaking English, Russian, French, Spanish and Italian. They have no children. A Roman Catholic, Luebke is noted for his generosity. He is interested in philosophy.

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Klaus SCHUETZ

Berlin Senator for Federal Affairs and
for Post and Telecommunications

At 36, Klaus Schuetz is a rising figure in the Berlin Social Democratic Party. He began his political career in 1947 as Berlin-Wilmersdorf Chairman of the SPD youth organization and has been active in party politics ever since. In 1954 he entered the Berlin House of Representatives, serving until his election to the Bundestag in 1957. In 1961, he was elected to his present post, where he serves as the city's chief liaison officer with the Federal Republic.



In party matters Klaus Schuetz made a name for himself through his moderate policies and clean-up campaigns against left-wing elements while SPD Chairman of Wilmersdorf. He advocates the realignment of German parties along less rigid class lines, and is keenly interested in US party practices, an interest he developed during a two-year exchange scholarship at the Littauer School of Harvard University. In 1960 he returned to the US on a leader grant to study and observe US politics, meeting at that time with Attorney General Kennedy, Ambassador Kohler and W. W. Rostow.

Senator Schuetz returned from the US in time to take an active part in the German 1961 campaign, and is credited with having the SPD platform drawn up in the light of guidance from opinion polls, and for encouraging Willy Brandt to make a whistle-stop campaign tour of Germany. He has also played a considerable role in planning strategy at national party conventions.

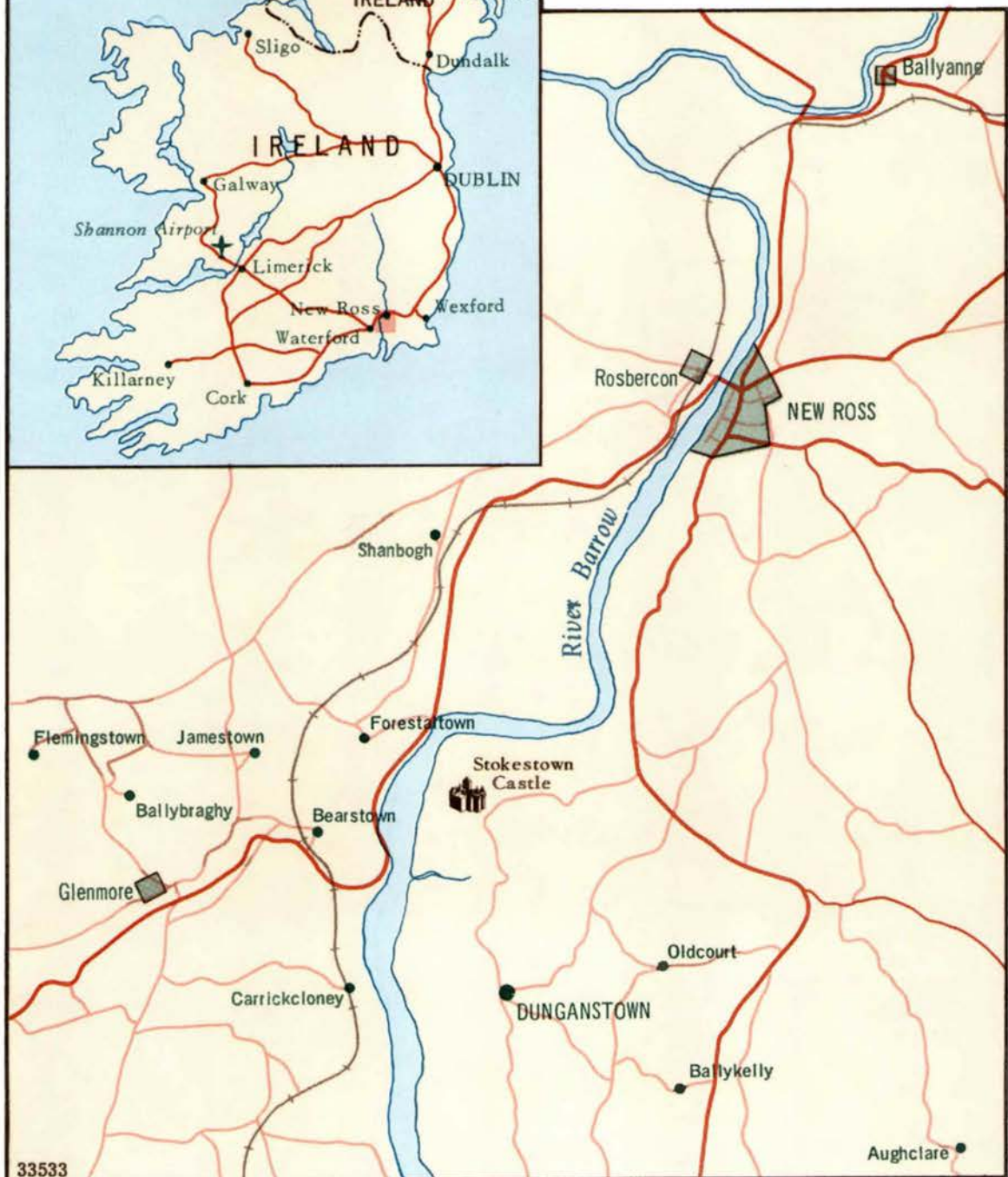
A member of Berlin's Harvard Club, Schuetz is married, Protestant and speaks very good English. He has frequently been mentioned as a likely candidate for Deputy Chairman of the Berlin SPD.

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IRELAND



New Ross and Dunganstown Area



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THE CURRENT SITUATION IN EIRE

Eire's decision in 1961 to seek full membership in the EEC marked a break with its traditional insularity. The government has continued to move away from nationalistic and protectionist attitudes in other ways, assisted in its efforts by prevailing favorable economic conditions. Despite the breakdown of the Brussels negotiations, the Irish are proceeding on the assumption that their case for membership is not altogether hopeless. Their determination to be ready when the time comes affects their attitude toward most of their current political and economic concerns.

The Political Situation

The Fianna Fail government of Prime Minister Lemass was returned in October, 1961, with 70 out of 144 seats in the Dail. Fine Gael, the principal opposition party, won 47 seats, Labor won 16, and there are 16 Independents and minor party representatives. The government is thus dependent on the support of four Independents, but seems little disposed to try to improve its position in the near future by calling another general election, partly because it has no issue at the moment with which to go to the country. In the absence of a prospect of early action by the EEC to admit Eire, the domestic political situation seems likely to remain unchanged.

Fianna Fail is supported by the old guard which opposed the 1922 treaty, the subsistence farmers in the West Country, industrialists, and much of organized labor. With this broad combination of support, Fianna Fail remains the strongest single party.

In the foreign policy field, the government is generally committed to the integration of Eire into a united Europe, although with the hope that this will not involve accession to NATO. Eire exercises an independent attitude at the UN on such issues as disarmament and the rivalry between the Afro-Asians and the former colonial powers.

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Domestically, the government is pressing for more efficient production throughout the economy in order to eliminate the need for protective measures and to improve competitiveness. In the social field, Fianna Fail continues to support compulsory Gaelic. It resists health, housing, and welfare programs whose costs cannot be shown to be justified by a likelihood of immediate economic gains.

The Economic Situation

Irish economic growth in 1962 was 2-1/2% or half the average for the previous three years, but considerably higher than in the 1950s. It may increase again in the future. Export expansion will be the key factor. In spite of increasing diversification, cattle & livestock products remain the backbone of the Irish economy. A 1962 downturn in exports of these is the major short-term problem. Agricultural marketing considerations were the primary economic motive in Ireland's seeking membership in the EEC and pose a current problem in view of the breakdown in negotiations. On the other hand, exports of processed foods, industrial goods and raw materials are continuing to expand.

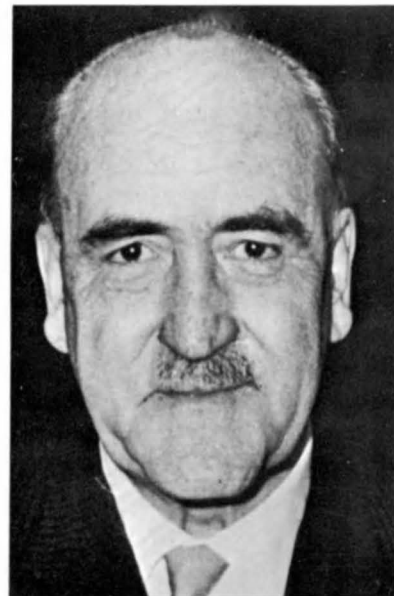
The highly active domestic economy is generating increased purchasing power. New industries being started by outside participation, and new equipment being installed in existing ones have produced a construction boom. All this activity, largely dependent upon imports, has widened the trade gap to \$280 million in 1962, up \$53 million from 1961, and the deficit is likely to increase in 1963.

The five-year program for economic development begun in 1959 was based on public capital outlays on projects to achieve economic results rather than social objectives. The present economic momentum, aside from the agricultural export decrease, is due chiefly to government spending on both current and capital accounts. The latest budget is at an all-time high and required stiff increases in taxation. Although Ireland is primarily an agricultural country, it has been the rate of industrial growth--almost 9% in 1956-61, and 5% in 1962--which has supported the general economic development.

Frank AIKEN
Minister for External Affairs

A prominent politician since the days of the Irish Civil War, Frank Aiken has been Minister for External Affairs since March 1957, and served in the same post from 1951 to 1954. He has held the position of Minister of Defense, but foreign affairs is now his absorbing interest.

His main forum has been the UN General Assembly to which he has led the Irish delegation since 1957. With a firm belief that the UN gives the smaller countries an opportunity to reduce East-West tensions, Aiken is largely responsible for Ireland's occasionally independent actions at the UNGA, such as the proposal to ban nuclear weapons for all except major powers. His country's formal neutrality has contributed to his appeal among Asian-African bloc members. He supported the UN action in the Congo crisis, in which Irish troops are still participating.



Aiken's legendary exploits during the Irish struggle have made him a popular figure with the Irish people. He was the last general in command of the IRA at the conclusion of the Civil War. Aiken owes much of his political prominence to his long and close association with de Valera. Many have referred to him as "Dev's shadow." Although stubborn, hot-tempered and sometimes tactless, Aiken is a shrewd, competent politician. Apparently, he enjoys greater freedom in formulating foreign policy under Lemass than he did under de Valera, even though Aiken and Lemass are not cordial friends, since they were rivals for the position of prime minister.

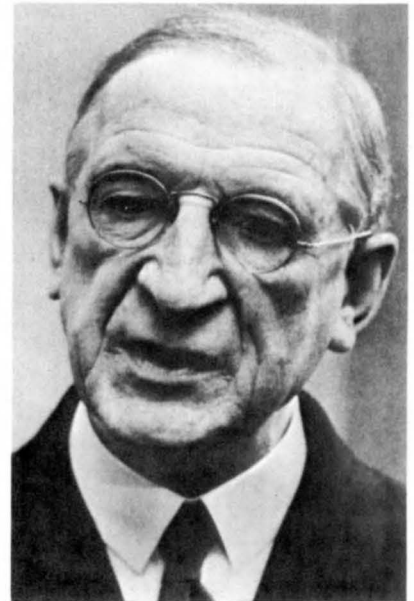
Aiken has outlived most of his nationalist colleagues and is close to the end of his career, although it is possible that he might be the President after de Valera.

Born in 1898 Aiken, who is a Roman Catholic, married Maud Davin in 1934. His wife is a distinguished musician and they have two sons and one daughter. Aiken's chief interest is his 100-acre farm south of Dublin where he raises flower bulbs for export and specializes in scientific fruit growing.

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Eamon DE VALERA
President

When de Valera was elected President of Ireland on 17 June 1959, he had been a leader of the government for a total of 21 years, a parliamentarian for 42 years, and president of the Fianna Fail (Men of Destiny), the party he founded in 1926. The Irish Constitution of 1937, which is largely de Valera's creation, provides for a presidential term of seven years. The office has limited powers and is mainly ceremonial. Contrary to expectation, de Valera has deliberately avoided involvement in political issues and refrained from making political statements. Yet his name remains a symbol of the national aspiration of the Irish people for forty years.



Nearing 81 and nearly blind, de Valera can no longer indulge his love for higher mathematics, but he likes to walk in the country and enjoys listening to news and music on the radio, displaying an astonishing acuteness of mind and memory. A devout Roman Catholic, he has always lived a disciplined and somewhat austere life. One of his strongest characteristics is the conviction of his own rightness; he appears unable to brook criticism of his judgment. Yet he has charm and personal magnetism, enjoys a joke, and finds great pleasure in his family.

His wife, the former Jane Flanagan, has written and produced several plays in the Gaelic language. The de Valeras celebrated their golden wedding anniversary in 1960 with their four sons (one son died in 1936), two daughters and numerous grandchildren. Major Vivion de Valera, the eldest son, is a member of the Dail.

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Sean Francis LEMASS
Prime Minister

The election of Sean Lemass in June 1959 as Prime Minister and as president of the Fianna Fail Party, succeeding de Valera, marked the close of a long era in which de Valera had dominated the country's political life and the beginning of a period of political reassessment. One of de Valera's most trusted associates in the Fianna Fail Party and long Deputy Prime Minister and Minister for Industry and Commerce, Lemass moved into the posts made vacant by de Valera's elevation to the presidency. Lemass had suggested the formation of the Fianna Fail after de Valera's split with Sinn Fein in 1926, and is given the credit for the party's efficient organization.



As Minister for Industry and Commerce, Lemass came to be regarded as the architect of Irish industry and as the ablest man in de Valera's cabinet. In the years preceding his prime ministership he was the practical leader of his party in the Dail, since de Valera, due to his failing eyesight, attended debates only when important issues were at stake.

Since becoming prime minister, Lemass has attempted to improve relations with Northern Ireland and has made specific proposals for practical cooperation, particularly in the economic field. He is a proponent of closer trade relations with the United Kingdom, upon which Ireland is largely dependent, and in January 1962 he presented Ireland's case for membership in the EEC.

Lemass was born in Ballybrack, County Dublin in 1899. He joined the independence movement while still a boy and continued his activities in the Irish Republican Army. He first entered the

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Dail in 1925 and when named to the Industry and Commerce post in 1932 reportedly became the youngest cabinet minister in Europe. From 1948 to 1951 he was managing director of the firm which publishes the Fianna Fail newspaper, Irish Press. In 1954 he became a director of a large automobile assembly firm.

Lemass is said to look younger than his age. His managerial temperament has been described as the antithesis of de Valera's professorial type. His ability and qualities of leadership are respected. Intelligent and shrewd, he is an efficient and hardworking administrator. While he has an engaging personality and friendly manner, he is said to be capable of great bitterness toward those who have offended him. According to some reports, he is not averse to using political patronage to get things done, and there were rumors that he was involved in black-market operations during World War II. He is an inveterate gambler and as a result has at times been involved in serious financial difficulties.

Lemass, who is a Roman Catholic, married Kathleen Hughes in 1924. They have four children, one son and three daughters. The son, Noel, has been a member of the Dail since 1956.

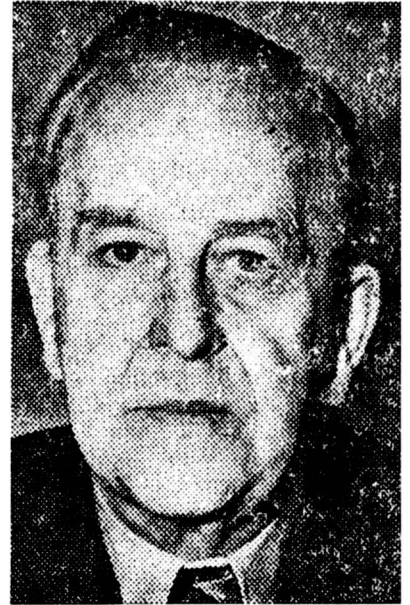
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Sean MACENTEE

Deputy Prime Minister and Minister for
Health and Social Welfare

A hero of the Irish struggle for independence, Sean MacEntee retained his post of Minister for Health & Social Welfare in the cabinet formed by Prime Minister Lemass in 1959, and in addition was named Deputy Prime Minister. This selection was regarded as a compromise with the old guard of the Fianna Fail party who want Lemass to adhere to their strong nationalist views. MacEntee was a founding member of the Fianna Fail and is now a vice president. He was a member of every de Valera cabinet, in which he held various portfolios. A shrewd politician as well as an able administrator, he is considered the party's senior political adviser. Although MacEntee, who is now past 70, is the second-ranking leader and one of the party's policymakers, his day-to-day political activity is said to resemble that of a ward heeler. He is one of the Dail's most effective speakers, but a tendency to make ill-considered statements to score an immediate advantage has at time embarrassed his colleagues.



In private life MacEntee is a kindly, mild-appearing man with white hair and pink cheeks whose interests are chiefly cultural, but his political career has been marked by acrimonious controversy and by the use of caustic epithets for his opponents. This has not endeared him to some of his associates, but despite his faults he is popular and witty and one of his party's best campaigners.

Accompanied by his wife, the former Margaret Browne, MacEntee made an official visit to the US in May 1960, visiting Boston, New York and Washington, D.C. Mrs. MacEntee is a sister of Father Michael Browne, Master of the Dominican Order, and of the late Monsignor Patrick Browne, who was

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president of University College, Galway. Mrs. MacEntee, who also played a notable part in the Anglo-Irish war, retired in 1959 from her post as lecturer in Irish at University College, Dublin.

The MacEntees, who are Roman Catholic, have one son and two daughters. Their elder daughter, Maire, was a first secretary in the Department of External Affairs and served for several years on the Irish delegation to the UN General Assembly. She married Conor Cruise O'Brien in December 1961. O'Brien, also a former member of the Irish Foreign Service, was the "controversial" UN representative in the Congo's Katanga Province, but resigned in December 1961 and is now vice chancellor of the University of Ghana. He divorced his first wife to marry Maire MacEntee.

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THE CURRENT SITUATION IN ITALY

Prospects for a New Government

Formation of a stable Italian government is unlikely before the July national congress of the Nenni Socialists. Initial party consultations conducted by Italian Premier-designate Aldo Moro have encountered friction between the dominant Christian Democrats and the Nenni Socialists. Formation of a practicable center-left government depends on the parliamentary support or benevolent abstention of the Socialists.

The US Embassy believes there is some justification for Nenni's fears that if such a government is not formed he may lose control of his party at the July congress, thereby jeopardizing the future of the center-left experiment to which he and Christian Democratic Party Secretary Moro have committed their political fortunes.

The election losses which both parties suffered to the Communists following a period of Socialist - Christian Democratic collaboration have left bitterness between them, and caused the left- and right-wing minorities in each to take more rigid positions on policies. In both parties, however, a majority favors getting together.

The Christian Democratic right wing has stiffened its opposition to resumption of the reform program undertaken by the Fanfani government. The Socialist left wing, on the other hand, is insisting that the Christian Democrats commit themselves more specifically on the scope and the deadlines for certain of these projects--notably land reform and establishment of regional governments. The Socialists feel that their losses to the Communists in depressed agricultural areas such as the "red belt" in north-central Italy resulted in part from their support of the Fanfani government, which did not carry out promised agricultural development projects.

Reform of regional government is the tougher issue, however, because it has been a major Socialist platform plank. Premier Fanfani included it in his program--at Socialist insistence and as part of his

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government's concept of coordinated nationwide economic planning. Legislation to set up the new regional administrations was held up last January, when the Christian Democrats announced that they would not proceed before the April elections. They charged that until the Socialist Party fully commits itself not to cooperate with the Communists in regional governments, the "requisite political stability" for the creation of these new institutions will not exist. The Christian Democrats' coalition partners--the Nenni Socialists, the Social Democrats, and the Republicans--subsequently announced that they would not support a post-election government which did not pledge itself to pass regional legislation.

Nenni stated publicly last October that his proposal of a five-year agreement among the government's coalition parties envisaged extension of this coalition to local governments, as is already the case in most of Italy's major cities. In addition he has given repeated private assurances that he would not form local governments with the Communists after the elections, even in areas where the two would have a majority. Nevertheless, Nenni has feared to alienate his labor following by laying public stress on isolation of the Communists--rather than reform--as the primary aim of center-left government experiment.

In view of these difficulties, it appears unlikely that a new government would be ready to seek a vote of confidence before the end of June. If Moro and Nenni cannot agree, a Christian Democratic "administrative" government might replace Fanfani pending the Socialist congress.

The Political Situation

Despite the Communists' continued electoral gains and their current self-assertiveness, their position is on the whole weaker than it was following the last national elections in 1958. Loss of their former Socialist allies has isolated them on the extreme left, which collectively has a reduced electoral following. The extreme left in 1958 received 38% of the national vote. Shorn of their Socialist allies, the Communists in 1963 received only 25%.

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It is true, however, that the Communists' net vote is up. The Fanfani government did not last long enough to make an impact sufficient to erode the Communists' strength. In the April elections, the Communists benefited from a general mood of protest, generated by the failure of a series of post-war governments to enact reforms. They benefited additionally because the fruits of Italy's economic boom are badly distributed socially and geographically. Their prestige had been enhanced by their leadership of strikes to protest the rising cost of living. In industrialized areas Communist organizers were able to take over unsophisticated migrant workers newly separated from their parish priests. In addition, the Communists were able to present a coherent popular account of themselves, in contrast to the Christian Democrats and Socialists whose internal splits and disputes created some public confusion.

Because of their continued electoral gains, the Communists have been emboldened to work harder at sabotaging the center-left experiment, which they see as the greatest potential threat to their power. They can be expected to exert every effort to see that those Socialists who oppose support of a Christian Democratic-led government are elected to attend the Socialists' July congress by their provincial federations. Nenni has described Communist pressure to bring this about as "unbelievable", and without precedent. However, he feels that the effect of this is offset in some degree by the bitterness felt by even his party's left wing over Communist electoral inroads.

If the center-left experiment has to be abandoned, the prospects for parliamentary stability are unpromising. The various conceivable party combinations would involve risk of factional splits and intra-party rivalries which would stymie legislative progress, and could give the Communists new opportunities. In 1960 the lack of a practicable alternative to the center-left combination led to a stalemate preventing formation of a government for two months. At that time the Christian Democrats had recourse to neo-Fascist parliamentary support, which resulted in anti-Fascist demonstrations by all the democratic parties, parlayed by the Communists into serious riots.

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Prevailing Foreign Policy Positions

Until a new government is formed, Italy will seek to avoid new foreign policy commitments. Except in the unlikely event of another neo-Fascist-supported government, Italy's present close support of US goals in the foreign policy field can be expected to continue. The present government's Nenni Socialist supporters are committed to acceptance of Italy's NATO membership. The Socialist parliamentary group gave benevolent abstention--rather than its traditional opposition--to Italy's increased defense budget for fiscal 1963, and party spokesmen publicly justified this increase as essential to the maintenance of balance between the East and West blocs.

There has been some division within the Fanfani government over the relative priorities for admitting Britain into EEC or pushing ahead within the present EEC framework. Industry Minister Colombo was one of those who apparently placed a higher priority on the EEC program, but the school headed by brilliant Budget Minister La Malfa, which is pushing for closer ties with Britain, is reported to have won control. The Nenni Socialists have long been strong supporters of the EEC--an issue which caused one of their early parliamentary divergencies from the Communists--and the influence of Socialist labor elements within the Italian General Confederation of Labor (CGIL) appears to have been a factor in pushing that organization into its early and virtually unilateral stand in favor of moving the World Federation of Trade Unions toward rapprochement with the EEC. The Nenni Socialists are reported to have been shocked by the Franco-German treaty, and De Gaulle's position on the EEC, into a less provincial and more responsible position on foreign affairs than had hitherto been theirs. The Italian right--including such disparate elements as neo-Fascists and right-wing Christian Democrats--initially expressed approval of De Gaulle's stand on both issues.

The Fanfani government and its Socialist supporters have publicly and privately endorsed the MLF concept. The Nenni Socialists even engaged in sharp polemics with the Communists over Togliatti's failure to appreciate the role of the MLF in reducing the proliferation of nuclear weapons. Italy continues, however, to favor the use of submarines over that of surface carriers.

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Giulio ANDREOTTI
Minister of Defense

Giulio Andreotti leads the remnants of the Christian Democrats' extreme right wing, known as the Primavera.

Andreotti was retained at the Defense Ministry--held by him in Fanfani's previous (1960-62) government--largely to reassure the US and other NATO powers that Italy's defense policies would continue along the same lines. Andreotti is, however, a right-wing nationalist and no particular friend of the US.

In joining Fanfani, Andreotti apparently decided that a ministerial post in a government of whose policies he disapproved would be better than no post, particularly if that government turned out to hold a winning combination. Personally, however, Andreotti seems to have little sympathy for Fanfani's reformist policies, and in his own field sees merit in De Gaulle's force de frappe.



Born in Rome in 1919, Andreotti has a following among right-wing elements there. In addition to his two terms in the defense post, Andreotti has held under-secretaryships in various cabinets. A doctor of jurisprudence, Andreotti is also a journalist. Lo Specchio, the right-wing journal with which he is associated, prematurely leaked the news of the plan to remove Jupiter missiles from Italian soil.

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Giacomo BRODOLINI

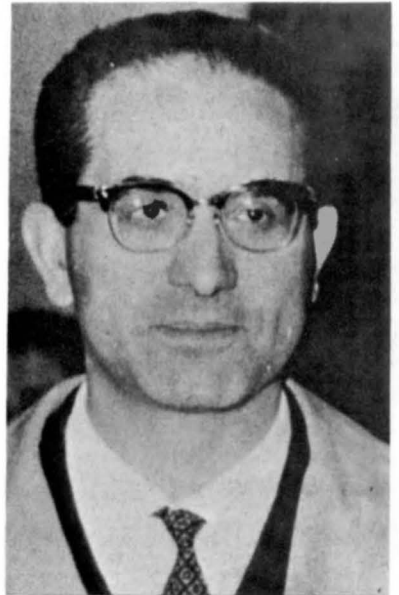
The 43-year-old Giacomo Brodolini has been a member of Nenni's Italian Socialist Party since 1947 when he came over from the Action Party, and since 1953 a party deputy. For a number of years he was one of the six vice-secretaries of the Communist-dominated Italian General Labor Confederation (CGIL) as well as national secretary of that organization's building trade union and a member of its directorate. However, the Communists managed to secure his removal from the vice-secretaryship in 1960. He maintains that while the Nenni Socialist members might defect from the CGIL in the future, it is necessary now for them to stay in the organization in order to strengthen their group and increase their following. In March 1963 he expressed the view that the Christian Democratic-Nenni Socialist dialogue could be resumed after the April national elections. Some inkling as to his international thinking may be derived from his statement early this year that Italy is a part of the western bloc and the Socialists should see that Italy steers the right course which is the one being followed by the United States and the UK.

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Emilio COLOMBO
Minister of Industry

Emilio Colombo is a member of a group--said to be a minority--in the Fanfani cabinet which apparently favors going ahead with EEC programs even at the expense of leaving out the British. He is one of Italy's bright young men, and was first appointed in 1955 as minister of Industry and Commerce--at the age of 35. He was born in southern Italy and had already played a large role in programing agrarian and other reforms for the South as under secretary of Agriculture during Premier De Gasperi's fifth and sixth cabinets.



Colombo took a law degree at Rome University, was elected to the Constituent Assembly of the new republic in 1946, and has been a member of the lower house since it was founded. He has been active in Catholic Action, served as national vice president of the Italian Catholic Youth Movement, and is reported to live in a house owned by the Vatican.

In domestic politics he was initially considered left of center within his party, but has shown a general tendency to ride the bandwagon. Some of his opposition to Fanfani--of whose cabinet he is a member--is believed to reflect his desire to replace Fanfani as prime minister. He speaks some English.

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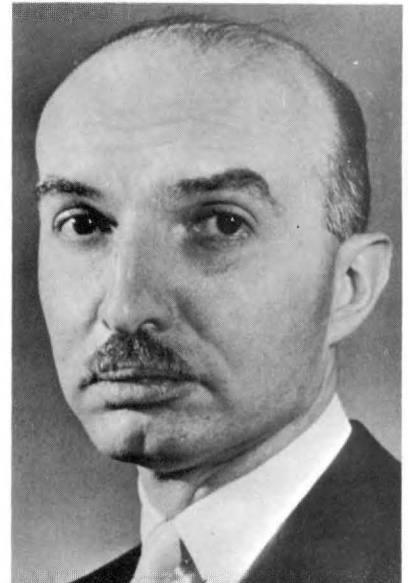
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Roberto GAJA

Gaja specializes in NATO affairs, and in his present assignment he has been a leading member of Italian delegations to NATO-nuclear force conferences. He headed the division in the Foreign Office which was in charge of North American and European Affairs from 1957 to 1958. Gaja has held his present post only a few months.

His previous assignment was as Minister to Bulgaria.

Gaja, 51, has been a member of the Italian Foreign Service since 1937. He served as an adviser on frontier--South Tirol--problems in 1945-46, and has also served in Vienna, Athens, and Paris.



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Ugo LA MALFA
Budget Minister

Ugo La Malfa is a potential prime minister. His prestige is a result of his long public service, which goes back to 1946 when he participated in the constituent assembly, and of his advocacy of constructive economic policies for Italy and Europe in general. He has been in his present post since 1952.

As Budget Minister, he is ex-officio chairman of the new and potentially powerful economic planning commission set up by the Fanfani government, and in this capacity would be in a position to assist the broad reorganization of the Italian economy he has long seen as necessary.



La Malfa has long advocated European integration, and in 1954 served in the Coal-Steel Community assembly. He is said to lead the influential group on the Fanfani cabinet which was most bitter over De Gaulle's opposition to UK membership in the EEC, and to have urged that Italy develop an entente with Britain in reply to the Franco-German treaty.

La Malfa is an admirer of the "New Frontier," which he apparently regards as a model for a new effort by the Italian Government to carry out economic and social reforms. He is a long-time advocate of the policy of center-left cooperation designed to isolate and eventually undercut the Communists.

Now 60, La Malfa is a Sicilian intellectual. A gifted writer in English as well as Italian, he has published in American periodicals, including Foreign Affairs. He speaks English fluently. A graduate of the University of Venice in diplomacy, he engaged in clandestine anti-Fascist activities from 1924 to 1928, when he was arrested. Since 1945 he has been engaged entirely in public service, and has held numerous ministerial posts.

La Malfa is married. He is described as a good conversationalist, but is said to appear somewhat nervous and tense.

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Giovanni MALAGODI

Malagodi, 58, apparently aspires to lead one day a right-wing democratic alternative to Christian Democratic government. Despite substantial gains in recent elections, however, his anti-clerical Liberal Party is as yet not strong enough to head a government. This conservative party has tended to resist modernization of its 19th-century brand of liberalism. Since the split-off of the party's "left" wing some years ago, Malagodi seems to have moved even further to the right, and his party's electoral gains have resulted largely from protest votes by right-wing Christian Democrats and pressure groups, fearing the effect of Fanfani's "opening to the left" on vested economic interests. The party's 1963 electoral campaign largely stressed the dangers of the center-left government formula.

Malagodi, a doctor in jurisprudence, is an intelligent and persuasive speaker, and some Italians have complained that Americans tend to be unduly impressed by him because of his excellent English. Deputy from Milan, he has held numerous economic posts, and has represented Italy at various international meetings including early Marshall Plan and NATO conferences.

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Eduardo MARTINO
Undersecretary for Foreign Affairs

Martino is an expert on defense and European political integration. In 1957 he worked for ratification of the Italian parliament of the Rome treaties which established the EEC. He has been a member of the European Parliamentary Assembly since 1958, and is also a member of the Interparliamentary Union. Martino was appointed to his present post by Premier Fanfani in December, 1962, having served as Undersecretary for Defense from 1953-54 and from 1958-60. He has been Secretary of the Supreme Council of National Defense since 1952 and has been a vigorous exponent of legislation for national defense. He was an alternate member of the Italian delegation to the UNGA in 1957.



Active in the Italian resistance movement during World War II, Martino has worked in Parliament in behalf of relief for partisan fighters and war veterans. In his youth Martino was prominent in Catholic Action.

He is a student of French philosophers and the early Catholic Fathers, and intersperses his speeches with French and Latin quotations. He exudes self-confidence. Within the Christian Democratic Party Martino occupies a center position, closer to President Segni than Prime Minister Fanfani. Martino is 53.

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Aldo MORO

Secretary of the Christian Democratic Party

If Moro's effort to continue a center-left, Socialist-backed government succeeds, he is likely to become the most powerful political leader in Italy during the life of the present legislature. He has hitherto preferred to remain a power behind the throne, partly because of his belief that caution is needed in dealing with the factors involved in a Socialist-Christian Democratic rapprochement, and partly for fear of being burned politically if the experiment does not work out. In temperament somewhat like the late Premier De Gasperi, who headed successive Italian governments from 1945-1953, Moro is expert at holding his amorphous party together and moving it carefully into positions adapted to Italy's long-range and current problems.



A former President of the Italian Catholic University Federation, Moro appears to see a need for reconciling Italy's Catholic tradition with the push for social reforms which many voters have identified with the Italian Socialist Party. Like Socialist Party chief Nenni, with whom he is negotiating in an attempt to form another center-left government, Moro realizes that European socialism, currently adapting to the affluent society and the Soviet betrayal, is a much watered-down version of its former self. Moro's apparent reversals of policy from time to time, like those of Nenni, seem to spring from the need to hold on to his diverse following.

A lawyer and former university professor, Moro has written numerous monographs and is known for his lengthy and learned speeches which sometimes run as long as seven hours. There have been unconfirmed reports that Moro is in poor health, although he manages to maintain the grueling schedule necessary to his job. Handsome and

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unusually young--47--for a prospective Italian premier, Moro would seem to have a long career in prospect unless these reports have foundation. One of the editors of the respected left-of-center and Christian Democratic-oriented political monthly, Mulino, describes Moro as the man with "the long, large view", as contrasted with Fanfani, the political opportunist. Moro is married. He does not speak English.

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Pietro NENNI
Secretary General of the Italian
Socialist Party (PSI)

Nenni is regarded as one of the ablest politicians in Italy. His skill at maneuver has enabled him to maintain a dynamic Italian Socialist Party despite years of vicissitude. The latest proof of his agility has been his ability to maintain party discipline--despite the opposition of the party's left wing--in the process of moving the party out of opposition into benevolent abstention on parliamentary votes of confidence for the Italian Government.



Now 72, and in poor health following a stroke in 1962, Nenni has had a lively career. Originally a member of the Italian Republican Party, he was by 1914 an active Socialist and led the revolt of Socialist farm workers remembered as "red week." In his book The Spectre of Communism, he explained the reasons for his evolution toward socialism.

Following service in World War I, in which he participated as a sergeant in the Air Force, Nenni returned to politics and joined the Socialist Party in 1921.

A gifted journalist, he has written numerous books dealing with history and political science, and a revealing diary of his years in exile. In 1922 he was editor of the party organ, Avanti!, and present in the paper's office when it was fired by Fascist agents. Subsequently, Nenni became a member of the directing body of the Socialist International and was interned in Germany--where one of his daughters reportedly died in a concentration camp. Another daughter has long served as a Socialist deputy.

He was a member of the Garibaldi brigade in the Spanish Civil War; he was subsequently imprisoned in

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Italy on the Island of Ponza, where he encountered Mussolini, imprisoned there shortly before Nenni was set free in 1943. Nenni served as Vice Premier in the 1945 Parri government and as Vice Premier, Minister without Portfolio, and Minister of Foreign Affairs under subsequent De Gasperi governments until the 1947 Socialist split and the ejection of both Socialists and Communists from the cabinet.

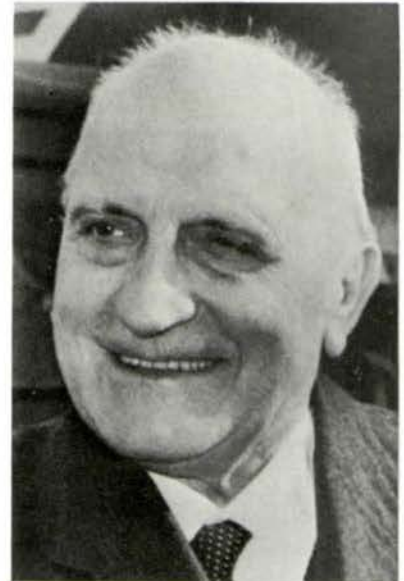
Nenni's evolution away from the Communists dates from long before the Hungarian developments of 1956, which he used as one excuse for a more forthright "autonomist" stand by his party. In 1934, despite pressures from his party, he was successful in preventing a merger with the Communists. In 1955 there were indications that he saw the fruitlessness of continued alliance with the Communists. Nenni was also becoming increasingly aware of the basic faults in the Soviet and Communist system, and was emboldened by his party's electoral gains to aspire once more to leadership of the Italian left.

Known to Italians as "Mr. Socialism", Nenni is a powerful orator and probably the most popular Italian politician. It is said that many lower class Italian households see no irreverence in having a religious picture on one wall and a photograph of Nenni on the other. He has managed to keep for his party a working-class following which his former colleague, Saragat, has been unable to take over. The two became close during the days of exile in France, and although Saragat has cooled, Nenni still refers to him as "Il migliore" (the best one of us) and sends him an annual Christmas card.

Attilio PICCIONI

Vice-Premier and Minister of Foreign Affairs

At 71, Piccioni is at the Foreign Ministry for the second time. He resigned his first ministry in 1954 because of his son's involvement in the lurid Montesi narcotic and sexual scandal. He was appointed Fanfani's vice-premier in 1960. His return to foreign affairs was in part designed to assure NATO that the foreign policy of the center-left, Socialist-backed Fanfani government would continue along established lines.



Formerly chief of the Christian Democrats' parliamentary group, Piccioni is noted for his ability to reconcile factional conflicts in this heterogeneous party. He has long been associated with the right wing of the party, but of late he is said to be "not too strongly" opposed to the Christian Democratic-Nenni Socialist rapprochement.

One of the early organizers of the party, Piccioni succeeded De Gasperi as party secretary, has held a number of other cabinet posts, and has headed several Italian UN delegations.

Piccioni speaks some French, but no English. He apparently is showing his age, a tendency that possibly has owed something to his distress over the Montesi affair.

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Eugenio PLAJA
Deputy Director General for Political Affairs

Plaja specializes in matters relating to the UN, the EEC, and the IAEA, and has had long experience in these fields, serving with the Italian UN delegation from 1956-60.

Like many Italian diplomats, Plaja entered the foreign service during Fascist times, in his case, in 1937. After tours in Spain and Latin America he returned to Rome in 1953 to handle European Defense Community affairs, and in 1954 attended the NATO ministerial session in Paris.

He speaks English, and held a consular post at the Italian Consulate General in New York from 1955 until he assumed his UN duties in the following year. At 49, Plaja is described as cautious and conservative.



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Antonio SEGNI
President of the Italian Republic

The frail, seventy-two-year-old Segni has had a distinguished career, both as a professor and as a member of the Christian Democratic Party. Born in Sardinia, he has been rector of the University of Sassari and law professor there and at other universities on the Italian mainland. Author of numerous works on legal matters, Segni is particularly expert on agrarian law and has been especially interested in agrarian reform, which he pushed as Minister of Agriculture under De Gasperi, even to the extent of seeing to the breakup of some of his own estates in Sardinia for the benefit of small landowners. In later years, however, the movement of the Christian Democratic Party toward the left has seen him, once a reformer, remaining somewhat right of center and apparently both puzzled and disturbed by the experiment in Socialist-backed government.



Segni served as Prime Minister from 1955 to 1957 and from 1959 to 1960. His second government--a minority all-Christian Democratic cabinet--was dependent on Liberal and neo-Fascist parliamentary support, but when the Liberals withdrew their backing in 1960, Segni resigned--without waiting for a vote of no confidence--rather than depend on the neo-Fascists alone. He was asked by President Gronchi to form a coalition government of the center left, but was apparently unwilling to make much of a try. Fanfani's subsequent attempt was blocked by the Christian Democratic right wing, and Segni carried on as caretaker premier for two months until formation of the disastrous Tambroni government, which was ended by anti-Fascist riots in July, 1960.

Elected President of the Republic in May, 1962, Segni has refrained from taking overt action against the present center-left government, but has privately expressed his apprehensions to US representatives regarding its participants, including Fanfani himself. Although he chose as premier-designate Aldo Moro, who favors the center-left formula, Segni would probably prefer a caretaker cabinet between now and the Socialists' July congress in the hope that the center-left experiment will thereafter be abandoned.

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Bruno STORTI

Storti, 60, President of the Christian Democratic-oriented labor confederation, CISL (Italian Confederation of Syndicalist Workers) has long been active in both Catholic trade union affairs and in the Christian Democratic Party. Following military service in World War II he joined the Christian Democrats in 1944, organized a trade union among Defense Ministry Workers in 1945, and was a member of the Directorate of the Italian General Confederation of Labor (CGIL) until the Christian Democratic unions broke away in 1948 in protest against the CGIL's domination by the Communists. Storti helped organize a Catholic union outside the CGIL, and has been its leader since 1954.



Storti was elected a deputy from Rome in 1958 and again in 1963. He has been less prominent and apparently less active than his predecessor as leader of CISL.

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Vittorio VALLETTA

Vittorio Valletta, the Genoa-born 80-year-old president and managing director of FIAT since 1945, is probably, of all Italian industrialists, the best-known abroad. He is regarded as the brains and drive behind the FIAT complex which embraces the largest aggregate of manufacturing facilities in Italy. He is credited with having steered FIAT, which is usually thought of as the Italian counterpart of GM, to its outstanding position in the Italian aircraft industry. In 1956 he brought it into the atomic energy field with the establishment, in cooperation with Montecatini, of SORIN which undertook construction of the first privately built atomic research reactor in Europe three years later.

Valletta holds degrees in economics and related fields from the University of Turin, where he taught for ten years. He started with FIAT in 1921 as central manager, became managing director in 1928 and president in 1945. He has served on the board of directors of a large number of firms, and also as consultant to many Italian and foreign companies. Considered a conservative liberal politically, he nevertheless believes that the trend in Italy is to the left and that the government must develop a more aggressive approach to long-standing socio-economic problems. He supported the recent Fanfani center-left government and has been one of Nenni's chief financial backers in the latter's fight against opposition in his party. He is strongly anti-Communist, pro-American and a supporter of European cooperation.

Valletta is short and slight in stature, not particularly impressive in appearance, quiet and even retiring in manner. A very shrewd man, he is highly respected in Italian industrial and political circles. He has traveled extensively in Europe, the United States and Latin America. He speaks fluent French and some English. He is said to be on intimate personal terms with Margherita Barnabei, one of the leaders of the left wing in Sargat's Social Democratic Party.

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Italo VIGLIANESI

Born in Sicily in 1916, Viglianesi has headed the Social Democratic-oriented trade union, UIL (Union of Italian Workers) since this group quit the Communist-dominated Italian General Confederation of Labor (CGIL) in 1949. Earlier he had participated in shop-steward committees within the Montecatini industrial complex, and became a CGIL provincial secretary. It is not clear whether Viglianesi agrees with some of his following that the Christian Democratic Union's departure from the CGIL--which preceded that of the Social Democrats--was premature and prevented formation of an amalgamated anti-Communist union. In any case the UIL and the Christian Democratic Union tend to compete.



Viglianesi was first elected Senator from Milan in 1963.

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SNIE 20-63
Limited distribution
12 June 1963.

SPECIAL NATIONAL INTELLIGENCE ESTIMATE

SECURITY CONDITIONS IN WESTERN EUROPE
DURING PRESIDENT KENNEDY'S VISIT
(23 JUNE - 3 JULY 1963)

NOTE: This is the final version of the estimate and additional text will not be circulated.

Central Intelligence Agency

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Submitted by the
DIRECTOR OF CENTRAL INTELLIGENCE

The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency and the intelligence organizations of the Departments of State, Defense, the Army, the Navy, the Air Force, and NSA.

Concurred in by the
UNITED STATES INTELLIGENCE BOARD

on 12 June 1963. Concurring were the Director of Intelligence and Research, Department of State; The Director, Defense Intelligence Agency; the Assistant Chief of Staff for Intelligence, Department of the Army; the Assistant Chief of Naval Operations (Intelligence), Department of the Navy; the Assistant Chief of Staff, Intelligence, USAF; the Director for Intelligence, Joint Staff; the Director of the National Security Agency; and the Assistant Director, Federal Bureau of Investigation. The Atomic Energy Commission Representative to the USIB abstained, the subject being outside of his jurisdiction.

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C E N T R A L I N T E L L I G E N C E A G E N C Y

12 June 1963

SUBJECT: SNIE 20-63: SECURITY CONDITIONS IN WESTERN EUROPE
DURING PRESIDENT KENNEDY'S VISIT (23 June-
3 July 1963)

THE PROBLEM

To assess security conditions in West Germany and West Berlin, Ireland, England, and Italy, with particular reference to the possibility of incidents which would endanger or embarrass President Kennedy during his impending visit (23 June-3 July 1963).

SUMMARY

During the President's West European trip, the likelihood of dangerous or embarrassing incidents is smaller than it has been on any of his other recent foreign trips. West Germany and West Berlin, Ireland, England, and Italy all have generally stable, pro-US governments, and the popularity of the President among the people of these

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areas is widespread and real. The Communists or other dissident groups -- ultrarightist, ethnic, etc. -- are not likely to see any profit in threatening the President's security. It is of course always possible that some individual or small group might attempt an act of violence against the President.

THE ESTIMATE

1. Although they are unlikely to occur, three types of organized hostile activity are conceivable during the President's trip: (a) actions physically endangering the President; (b) demonstrations designed to humiliate or embarrass the President or his hosts; and (c) attempts by various groups to draw attention to local political issues. If demonstrations in any of these categories are planned, they will probably be discovered in advance by the authorities, and will almost certainly be rapidly brought under control by the well organized and generally efficient national security forces. In all the areas on the President's itinerary, the security forces have Communist, ultrarightist, and other dissident groups well infiltrated.

2. Any group which tried to instigate hostile demonstrations could be expected to recognize that actions physically endangering the

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President would be likely to damage rather than advance the group's own aims. It is therefore likely that no major group will deliberately initiate such actions, and that Soviet directives to Communist parties in Western Europe will counsel restraint in this regard.

3. Attempts at peaceful demonstrations intended to humiliate or embarrass the President are also unlikely, though less so. Communist or other groups probably realize that such attempts would be rapidly brought under control by the police, but might believe that the very fact of such attempts would embarrass the President or his hosts. The principal issue on which such demonstrations might be based is racial discrimination in the US. In West Germany, there are numerous African university students, some of whom might conceivably band together to demonstrate against treatment of the Negro in the US. In Italy and England, Communist-dominated or leftist groups might try to wave propaganda placards and signs on this subject. The instigators of demonstrations on this or any other "anti-Yankee" subject would find little support among the local populations, a situation different from that in the Latin American countries which the President has visited.

4. Various antinuclear warfare themes comprise another subject on which demonstrations are possible. Communist groups, especially in Italy, may try to organize demonstrations favoring Soviet positions

on a nuclear test ban and disarmament, or opposing a NATO multilateral nuclear force. They may also try to demonstrate against possible future plans for basing Polaris submarines in Italy. Representatives of various British antinuclear warfare groups such as the Spies for Peace, the Committee of One Hundred, or the Committee for Nuclear Disarmament will probably wave "ban the bomb" placards along the route of any scheduled motorcades to and from the airport in Great Britain, and at any other public appearances the President might make. Representatives of these groups might also try to enter Ireland and agitate for their cause during the President's visit.

5. In West Berlin, there is an additional issue which could spark attempts at demonstrations. The Soviet Union has already protested the plans of West German Chancellor Adenauer to participate in the Berlin ceremonies during the President's visit, on the ground that the West German Government has no authority or rights in West Berlin. If any demonstrations against either Adenauer or Kennedy are planned, however, US intelligence as well as the West German internal security service will have very good prospects of knowing about them in advance. Furthermore, since US military units in West Berlin still have the status of a force of occupation, they have the legal right, jointly with the other Western occupying powers, to take whatever measures are necessary to ensure the security of the area.

6. There are some possibilities of demonstrations not directed against the President, but designed to publicize local causes close to the hearts of the instigators. Although we are almost certain that any demonstrations in this category would be easily controllable by the various police forces, issues on which agitation might occur are listed below as being of possible relevance to the security conditions surrounding the President's trip.

West Germany &
West Berlin:

Demonstrations in support of German reunification, or, by East European refugee groups, for the liberation of Eastern Europe. Any possible demonstrations, however, would be insignificant in size, and probably confined to the carrying of placards.

Ireland:

Agitation for a unified Ireland. Although the Irish Republican Army has been disbanded, it is possible that some individuals might try to demonstrate for a return of the northern counties.

England:

None.

Italy:

Agitation by small, extreme rightwing neofascist groups to publicize their campaign against an "opening to the left" in Italian politics.

Efforts by German speaking autonomists in the South Tyrol area of northern Italy to focus attention on their grievances against Rome. There have been fewer acts of terrorism by this group in the past year than in earlier years.

7. Two other matters unrelated to possible demonstrations and agitation may have a bearing on the security of the President during this trip. First, the Presidential party will of course fly over East German territory to and from West Berlin. Although the risks inherent in this cannot be ignored, we are almost certain that neither the Soviets nor the East Germans will provoke an incident in the Berlin air corridors during the President's flights. Secondly, in Ireland, the friendly and exuberant crowds who will wish to see and hear the President may create a security problem. The Irish look upon President Kennedy's

visit as a triumphal homecoming for one of their own and as a great compliment being paid them by a world leader. The Irish police are relatively inexperienced in crowd control and the crowds will be far larger than any with which they have previously had to cope. The police may underestimate the problems involved and the manpower needed to protect the Presidential party from such overfriendliness.

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