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**OFFICE OF CURRENT INTELLIGENCE**  
**CENTRAL INTELLIGENCE AGENCY**

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## 1. YUGOSLAV-EAST GERMAN TRADE/TALKS ANNOUNCED

Comment on:

Belgrade's 27 September announcement that it will soon hold trade talks at the governmental level with East Germany moves Yugoslavia one step closer to diplomatic recognition of the Ulbricht regime. This appears to be a compromise between bloc pressure for formal recognition of East Germany and Belgrade's fear that such a move would disrupt relations with West Germany, an important trading partner for the Yugoslav economy.

An East German official had earlier declared that a governmental economic delegation would go to Belgrade in the latter half of December, but that there were no indications Yugoslavia would recognize East Germany in 1957, [redacted]

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## 2. RISING MOROCCAN RESENTMENT OF US POSITION ON ALGERIA

### Reference:

American Ambassador Cannon in Rabat reports that Moroccan resentment over the US position in Algeria is becoming "increasingly dangerous." He attributes this resentment to a widespread assumption that the French pacification effort in Algeria is made possible only by American arms furnished to France and to a "bitter suspicion" that, when the UN General Assembly considers the Algerian question later this fall, the United States will throw its weight in France's favor. The ambassador believes public reaction in Morocco to a US vote regarded as "adverse" could cause a breakdown in the already difficult base negotiations, and perhaps even a revision of the Moroccan King's plans to visit the United States in late November.

Ambassador Cannon cites a 26 September article in Al Alam, the usually restrained daily publication of the dominant Istiqlal party, as a good summary of Moroccan opinion. After caustically comparing the American attitudes toward Hungary and Algeria, the article asserts that this session of the UN will reveal the "final American point of view" and provide a good yardstick for measuring the friendship of the United States and other Western countries for Algerians and the Arabs generally.

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### 3. VIET MINH REPORTEDLY ORDERS CONCILIATORY PATHET LAO ATTITUDE

Comment on:

[Redacted] The Pathet Lao delegation negotiating a political settlement with the Laotian government has been instructed by the Viet Minh to take a generally conciliatory attitude. [Redacted]

[Redacted] the Pathet Lao were to avoid creating any situation that would embarrass Premier Souvanna Phouma or undermine his authority.

[Redacted] this information, together with other reports from Pathet headquarters in Sam Neua, convinces him the Pathets fear that failure to make satisfactory progress in the negotiations by early October may result in the formation of a new government under Interior Minister Katay.

The Pathets, although aware of the two-month deadline that the Souvanna government set for an agreement at the time of its investiture on 9 August, are unlikely to carry conciliation to the point of making significant concessions to the royal government. They might rather be expected to adopt a pose of reasonableness to keep the talks alive while creating popular pressure for a compromise. Their hopes for compromise may have been raised by the tentative agreement of government negotiators on 25 September to pass a special amnesty and civil rights law for the Pathets despite Vientiane's previous stand that the Laotian constitution obviated the need for this.

In an apparent effort to facilitate the negotiations in Vientiane, North Vietnam on 22 September announced that it had reached an agreement with the Laotian government delegation now in Hanoi on the withdrawal of armed forces from a disputed border area. [Redacted]

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#### 4. INDIAN CONGRESS LEADER GLOOMY OVER PARTY PROSPECTS

Comment on:

The national president of India's Congress party, U. N. Dhebar, told an American consular officer at Madras that both he and Prime Minister Nehru regard the outlook for the country's ruling party with considerable pessimism.

Dhebar stated that the party leadership was finding it increasingly difficult to work out an acceptable politico-economic program which would hold the diverse elements of the party in line. He pictured Nehru as frustrated as a result of factionalism within the organization and opportunistic elements permeating "clear to the top." Dhebar himself apparently feels similarly thwarted. Despite his relative youth and popularity, he stated he plans to retire as head of the party at the end of his current term.

The Congress leader expressed his belief that the Communist government in Kerala State will last "at least two to three years." He ruled out any immediate attempt to overthrow the Communists, saying the Congress party is "not yet ready to face the Kerala electorate."

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