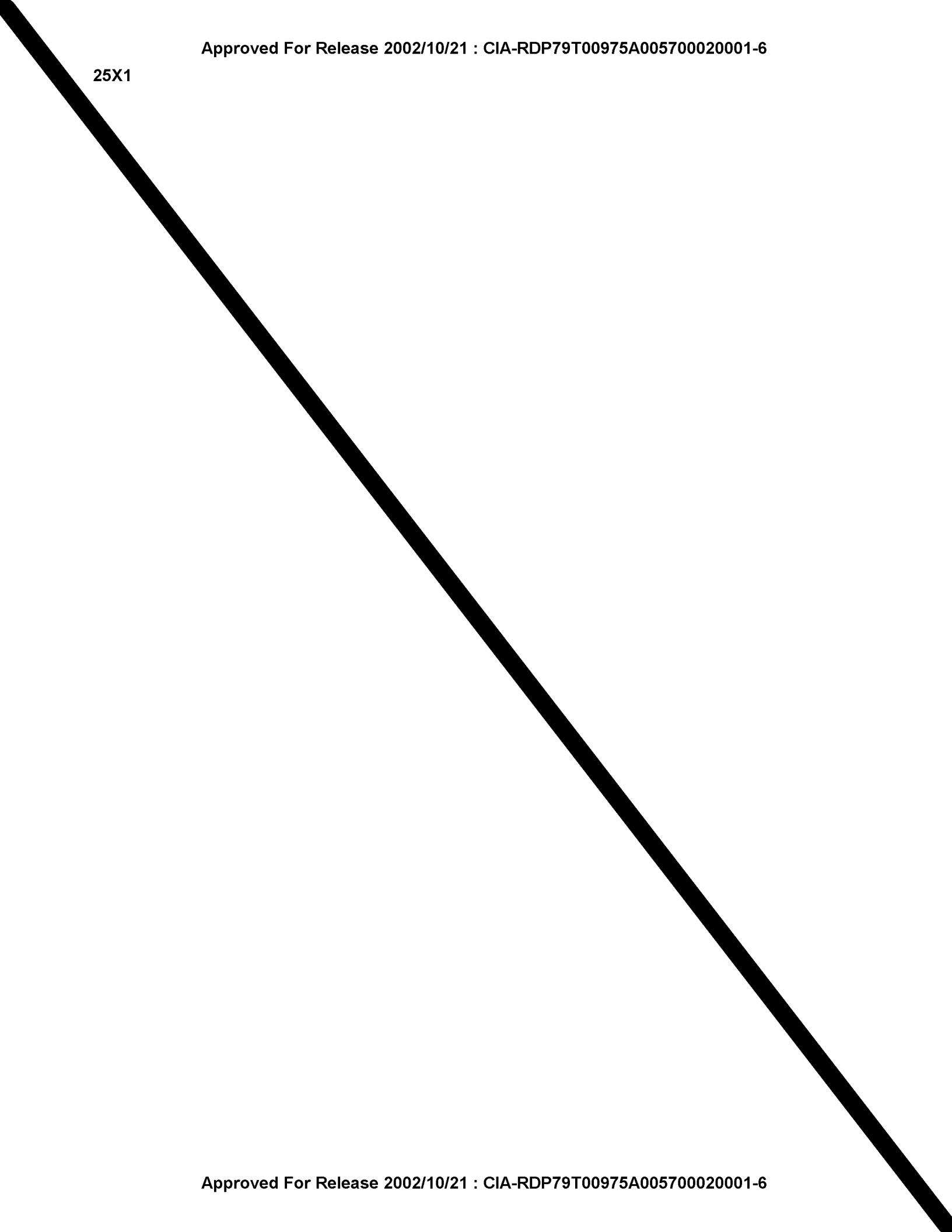


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Communist China - Albania: By granting Albania a credit of \$125,000,000 for Tirana's Second Five-Year Plan (1961-65), Peiping has taken over the predominant role previously played by Moscow in the Albanian economy and has probably encouraged Tirana to continue its intransigent course. The new aid agreement points up the serious competition between the USSR and China for economic and political influence within certain areas of the bloc. This large-scale aid--roughly 80 percent of the new aid Albania was seeking for its Five-Year Plan--involves the dispatch of Chinese technicians and equipment for the construction of 25 industrial projects.

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(Backup, Page 3)

USSR-Berlin: Top-level Communist statements on Berlin and Germany over the past two weeks suggest that Moscow is preparing the groundwork for a formal proposal to renew negotiations on these issues. The Soviet leaders may see the forthcoming NATO council meeting in Oslo on 8 May as an opportunity to justify a new initiative, alleging that this meeting will take up the question of nuclear armament for West Germany. In line with Khrushchev's remarks to Walter Lippmann

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that the USSR would raise the question soon, the authoritative Izvestia "Observer" article on 20 April warned that "all reasonable time limits have expired" for the conclusion of a peace treaty and a revision of Berlin's status. East German party leader Ulbricht in speeches on 21 and 23 April warned that East Germany did not intend to wait for a peace treaty until Bonn had "completed its nuclear rearming." Izvestia stated that the opponents of the "immediate conclusion" of a peace treaty are "grossly mistaken" if they hope that further delays will work in their favor.

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Nuclear Test Ban Negotiations: The chief Soviet delegate to the Geneva test ban talks, in press interviews

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[redacted] has consistently upheld previous positions and given no indication that Moscow will make new compromise proposals to break the deadlock over vital aspects of the control system. He outlined three Soviet positions on which he stated there could be no compromise: a maximum of three inspections annually in the Soviet Union, a maximum of 15 control posts on Soviet territory, and a tripartite council to administer the control apparatus. At the conference sessions, the Soviet delegation has sought to undercut Western objections to the possibility of a Soviet veto on inspections by stating this issue would not arise in the tripartite council if there were an agreed annual quota of inspections. He has emphasized, however, that the tripartite scheme was "absolutely necessary" and has evaded the question of whether voting on all issues

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would have to be unanimous.]

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Ceylon: An outbreak of strikes in the island's tea and rubber plantations has forced the Bandaranaike government to tighten the state of emergency it declared on 17 April to halt communal agitation. The agitation arose from the government's efforts to impose the official Singhalese language on the Tamil-speaking minority in northeast Ceylon. The government mobilized additional military units on 26 April to help maintain essential services as well as to emphasize its determination to maintain its position. The government is probably capable of containing any further outbreaks. [redacted] (Backup, Page 7) (Map)

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Sino-Albanian Economic Aid Agreement

In expressing gratitude for Albania's "brotherly" concern for China's "struggle," the communique issued on 25 April makes clear that the new economic aid is Tirana's reward for supporting Peiping in its dispute with Moscow. The statement that Sino-Albanian economic relations "fully embody the proletarian internationalist spirit of mutual support and close co-operation" appears sharply critical of Soviet economic pressures imposed on both China and Albania and of Moscow's laggard help in the present Chinese economic crisis.

The announcement of the new aid agreement was delayed for more than two months, probably because Peiping did not want to publicize its support for Albania while trade and aid talks with the USSR were getting under way. The announcement of the new loan to Albania at this time suggests that little, if any, progress has been made at the aid talks, which are still continuing in Moscow.

Chinese agreement to construct complete industrial installations for Tirana injects a new element into Sino-Albanian economic relations. Peiping has similar programs in all three of the Asian satellites, where Sino-Soviet competition has become abundantly evident during the past year, but previous Chinese aid to Albania has consisted almost entirely of grain and raw material delivered on a credit basis. Since last autumn the Chinese have been delivering increasing amounts of wheat to Albania, despite critical food shortages in China. These deliveries, both from China and from nonbloc countries at Chinese expense, are well in excess of Soviet deliveries and have provided Tirana with more than enough food grains to meet immediate consumption requirements.

The new aid agreement underscores the extent of the Albanian regime's alienation from Moscow and China's role in supporting Albanian defiance of the USSR. Since 1956 the USSR has extended a total of some \$140,000,000 in long-term credits to Albania, of which \$75,000,000 remains unused. The Chinese underwriting of the added credits needed for the new Albanian

plan will nevertheless make it even more difficult for the USSR to bring pressure on Tirana to get back in line with the Kremlin. Furthermore, dissident elements within the East European regimes will undoubtedly regard the Chinese Communist loan as tangible evidence of Peiping's willingness to back heretical forces within the bloc and of Peiping's stature as an independent force within the Communist movement.

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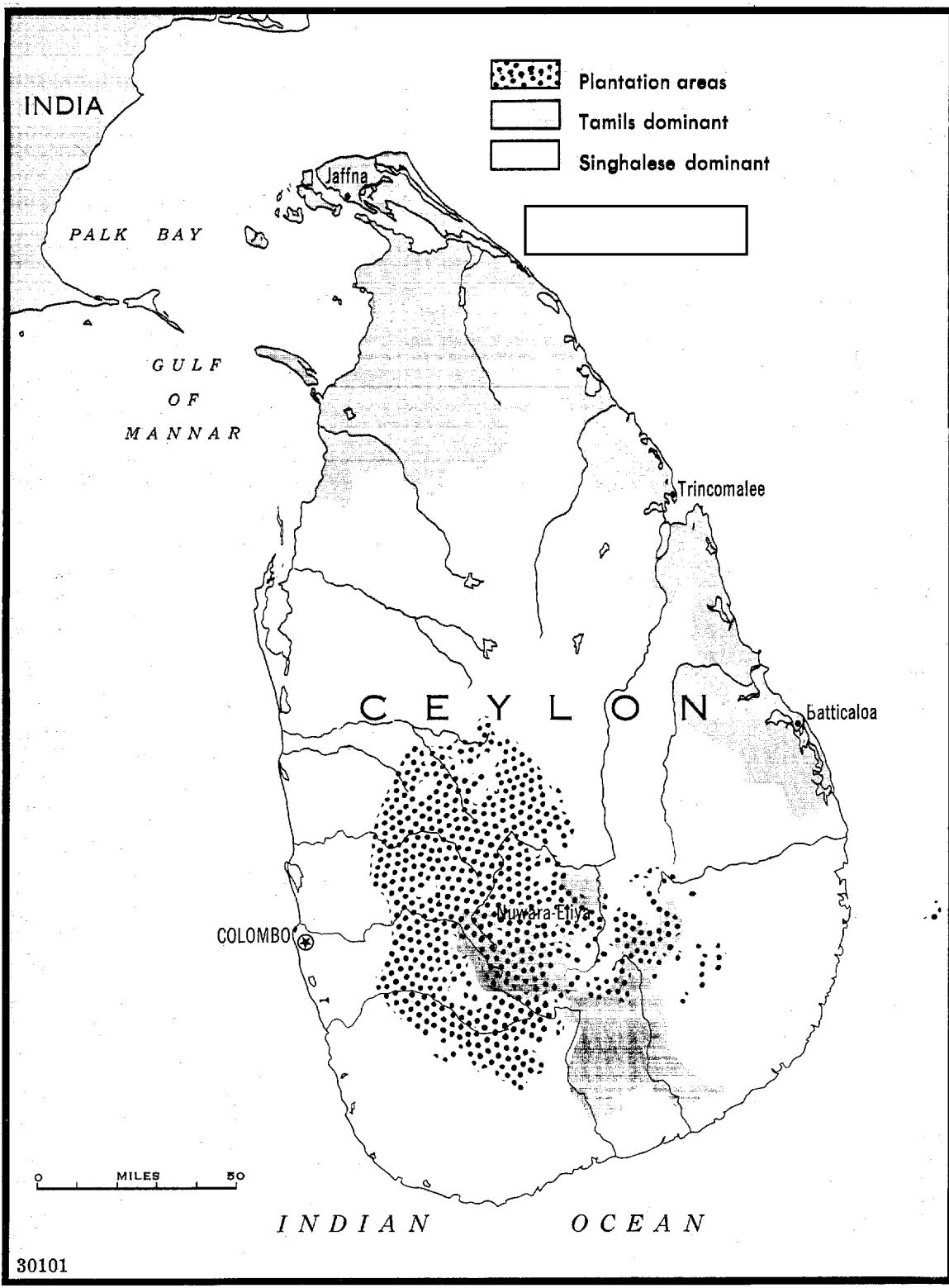
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27 Apr 61 CENTRAL INTELLIGENCE BULLETIN Map Page

Communal Agitation Forces Colombo to Step Up Emergency Measures

The Tamil-speaking minority, represented by the recently banned Federal party, has been agitating for nearly four months against the government's enforcement of Singhalese as the sole official language. The campaign began as one of "passive resistance" in early January, when the official language act went into effect. The agitation was intensified in late February; within several weeks picketing of government buildings had halted all government operations except food distribution at most major centers in the Tamil areas.

The government has remained firm in its decision not to grant the Tamils' demand that their language be granted equal status with Singhalese, but until recently refrained from using force. The Federal party's campaign, however, steadily gathered support and momentum. The government's hand was finally forced in mid-April when the party shifted to a "civil disobedience" campaign involving deliberate efforts to break the law by setting up parallel government services.

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The government's show of strength at this point is likely to discourage a repetition of the communal riots in 1958 over the language issue.

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The government's prestige may begin to suffer if the emergency regulations are prolonged or appear needlessly stringent. In addition, should the Tamil-dominated plantation unions be persuaded to continue their strikes indefinitely, the government would face serious economic consequences, since the plantations are the basis of Ceylon's export earnings.

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The Secretary of the Air Force

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