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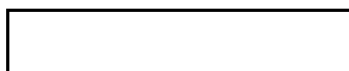
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THE SOVIET WORLD

Following on the series of meetings of agricultural managers held in Moscow in February, the central committee published on 2 March the first major agricultural decree since last autumn. While the decree repeated the themes of "organizational vigilance" given prominence in the agricultural conferences, it went well beyond any earlier official statement in its appraisal of the Soviet grain situation.

Only last autumn, both Malenkov and Khrushchev had expressed satisfaction with grain production and treated it as the only aspect of Soviet agriculture which was above criticism. The latest decree, however, scores both deficient grain yields and acreages and charges that grain production has failed to keep pace either with the expanding requirements of the population or with "growing export needs." Part of the blame for these failings was laid on the faulty judgment of the State Planning Commission, an organization which had earlier been spared official censure.

In prescribing a remedy for the grain shortage, the government supplemented its earlier statements on land reclamation with the announcement that 100,000 Komsomol workers are to be dispatched to the new lands. In addition, technicians are to be diverted from established Machine Tractor Stations to the reclaimed areas. To encourage these transfers, the government set up a system of bonuses and incentive wages.

Within the Soviet Union the first anniversary of Stalin's death was marked in perfunctory fashion, in contrast to the elaborate ceremonial surrounding the anniversary of Lenin's death. The central press confined itself to a front-page editorial and an inside-page article on the anniversary date itself, which were as much expositions of current policy as eulogies of Stalin. The provincial press followed this lead.

The highly inflated Stalin balloon has been gradually reeled in and deflated during the year since his death. The image of him which his successors seek to implant in Soviet minds has been redrawn by degrees, and it appears that his place in the Marxist line of succession is now more or less permanently fixed.

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He is credited with "developing creatively Marxist-Leninist teaching, applying it to new historic conditions." His part in the formulation of the theories of peaceful co-existence, "socialism in one country," the worker-peasant alliance and Soviet nationalities policies is acknowledged, but he is represented, in each case, as merely the elaborator of Lenin's ideas. It is apparently intended that he should henceforth play Engels to Lenin's Marx. The resurgent prestige of Lenin, a more remote and thus a more convenient symbol, will evidently be used to fill the void left by the de-emphasis of Stalin.

Stalin received somewhat more flattering treatment at the hands of the Chinese Communists, who described him as the "greatest thinker and theoretician of our time," and convoked the central committee to hear speeches on his achievements by politburo members. In other parts of the Orbit, treatment was limited to press articles which described Stalin as the "great disciple of Lenin" and stressed the continuity of Soviet policy under "Lenin's best sons--the central committee of the Soviet Communist Party."

Foreign Minister Molotov's unusually long statement on the Berlin conference, which appeared in Pravda on 5 March, was primarily a propaganda tirade following the line developed at Berlin. Its emphasis on the alleged threat of a revived German army probably reflects a genuine Soviet fear and may foreshadow intensified propaganda against EDC ratification. The particularly strong attack on NATO may be regarded as Molotov's answer to the question of its compatibility with his concept of European security, a question which he persistently evaded at Berlin.

Molotov's contention, in connection with the forthcoming Geneva conference, that "China will take its lawful place at the conference with the other great powers" is in line with persistent Soviet efforts to elevate Communist China's international position and suggests that the Kremlin intends to propagandize the Geneva conference as acceptance in principle of five-power status for China.

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PRE-GENEVA PROSPECTS FOR EDC RATIFICATION IN FRANCE

Chances for EDC ratification in France have been gradually improving since the December presidential election. Both opponents and supporters of the treaty, however, are increasingly inclined to delay action until Communist intentions in the Geneva conference become apparent, and final action before then seems doubtful.

EDC stock reached a low point in late November 1953 when Laniel's attempt to force a showdown on the treaty was foiled by his tactical error in defining the issue as one of over-all confidence in his government. This alienated the Socialists who are largely pro-EDC but opposed to the right-center Laniel coalition. The premier has been hesitant to press the assembly further until he could assure it that all preconditions have been met.

On the most important of these preconditions, a satisfactory settlement with West Germany on the Saar question, some progress has been made in working level discussions. Both sides are now believed to be close to agreement on all the major terms of a settlement except its permanency, but Chancellor Adenauer wants assurance of French ratification of the defense treaty prior to a final settlement. Even if the timetable is accelerated as a result of the Bidault-Adenauer talks on 9 March, complete French-German agreement on the Saar is unlikely before the late March meeting in Brussels of the six foreign ministers on the prospective European Political Community.

Meanwhile Laniel has been casting about for a way to obtain support for the treaty from the nationalistic Gaullist elements in his cabinet. Apparently won over to the argument that further changes in the treaty to win the support of perhaps 40 Gaullists will alienate twice as many Socialists, he now seems resigned to risking a Gaullist withdrawal from the cabinet, although he is still searching for a "sauce" of minor concessions to the rightists in the hope of avoiding a cabinet split.

It is now generally conceded that ratification will depend on the amount of support obtainable from the Socialist Party. Socialist leaders have indicated that some 90 of their votes can be counted on if the party's preconditions are met.

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Its demands for British "association" with EDC and American guarantees on retaining troops in Europe will probably be satisfied by pending declarations, but the demand for "democratic control" over EDC appears more difficult to satisfy.

The foreign ministers' meeting in Brussels in late March is expected to devise some formula which will satisfy this Socialist demand. There is some evidence, however, that the Socialist deputies favoring EDC will not require agreement on the basic principles of the proposed European Political Community before voting for ratification.

The unyielding Soviet stand in the Berlin talks improved the treaty's chances in France, but the prospective Geneva conference has since come to overshadow the EDC issue to such an extent that a decision may easily be postponed on this point alone. President Coty told General Gruenther on 26 February that he realized the impatience of the American Congress, but warned that rapid action would be difficult. A top Socialist leader further cautioned against any appearance that pressure was being exerted by the United States.

Laniel has stated that some early decision is necessary for national unity. [redacted]

[redacted] at the appropriate moment they can obtain support in key committees and among party leaders to force early debate, without straining normal parliamentary procedure. While the government may be able to set a firm date for debate irrespective of the Geneva conference schedule, anti-EDC sentiment is still preponderant in the Foreign Affairs and Military Committees, and the assembly is very touchy on its prerogatives. Meanwhile a group of deputies and senators including former premier Daladier have called for a Europe-wide anti-EDC conference to be held in Paris on 20 March.

Despite the Popular Republican National Council's resolution of 7 March demanding a debate on the treaty "without delay," many supporters, including former premier Robert Schuman and a prominent pro-EDC Socialist spokesman, have expressed the belief that EDC's prospects will be improved no matter what happens at Geneva. Even President Coty apparently favors delay, fearing that a close, even though favorable, vote on EDC would further divide the parliament and the nation.

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**BRITISH STAND MAY FORCE BASIC CHANGE IN EAST-WEST
TRADE CONTROL PROGRAM**

Britain's stand in favor of drastic contraction in controls on Western exports to the Soviet Union and its European Satellites jeopardizes the present extent of the COCOM system. Other Western European COCOM countries will probably support the United Kingdom in its stand, and the United States will find itself increasingly isolated in its efforts to maintain the present controls.

Britain's desire to reduce controls has been evident for several months. Its general argument is that the threat of war is less than in 1950, and that the old controls should be brought in line with the new "long haul" approach to Western defense. Prime Minister Churchill has taken a strong personal interest in the new British trade policy, and the Foreign Office has proposed to the United States a specific list of deletions and changes in export control lists.

Under the new British policy, controls would be retained on a short list of only about 130 military and near-military items, while all restrictions would be lifted on such materials as copper, nickel, and scrap iron and steel. Many engineering products, including petroleum, metallurgical and railway equipment, motors, engines, and machine tools, would no longer be embargoed.

Basic in the United Kingdom's approach to the question is the size of its foreign trade in relation to its gross national product--in 1952 about 30 percent as opposed to about 10 percent for the United States. Increased sales of engineering products are considered crucial for attainment of Britain's export objectives, and the billion dollar trade "offer" made by Moscow during the Berlin conference impressed government circles as containing some solid prospects. The British Board of Trade estimates there would be a possible net increase of \$250,000,000 in British exports to the USSR during the 1955-1957 period if COCOM controls are relaxed as recommended--a figure more than double the United Kingdom's total exports to the Soviet Union in 1952.

In adopting their new policy, the British were evidently influenced by the knowledge that they could count on the overwhelming support of other Western European countries. These nations, notably France and Italy, have shown in their trade

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negotiations with the USSR and in requests for exceptions from COCOM regulations an increasing impatience with restraints on trade with the Orbit. Even the West Germans, who have been very cooperative in the COCOM program, now apparently want to expand trade with the Soviet Union, particularly in ship construction. Churchill's speech on 25 February in the House of Commons outlining the new British trade policy has been echoed in statements by numerous government and business leaders on the Continent.

France and other Western European countries have shown considerable resentment at past American-British cooperation in developing policy recommendations for COCOM. The American embassy in London now sees a danger that if Washington and London do not soon reach agreement, and if other COCOM countries learn the details of the current British proposals, the list proposed by Britain may become the most the other nations will accept, and pressure may even develop for further reductions in controls.

American representatives in COCOM see three possible courses of action now open to the United States: (1) retain the integrity of its own lists, including the Battle Act lists, with resultant penalties for noncompliance; (2) retain its own export controls as they are, but alter the Battle Act lists along the lines of new COCOM controls; or (3) accept the proposed contraction of COCOM lists and adjust American export control policies to conform to those of other Western nations. These officials comment that with adoption of the third course, American competition would lead to a buyers' market and automatic disappearance of premium prices, thus destroying the commercial attractiveness of many Orbit "offers" to Western European countries.

The situation in COCOM represents only one aspect of the East-West trade problem. The Soviet Union is increasingly active in promoting division in the West by offering trade opportunities and encouraging fear of an American depression.

The USSR may be expected to continue contrasting its trade offers with the United States' failure to lower its trade barriers. In the immediate future Western nations may prove seriously vulnerable to Soviet maneuvers in the UN ECOSOC meeting in New York on 29 March where Vyshinsky proposes to discuss "obstacles to international trade."

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NEW INFLUENCES AFFECTING BRAZILIAN COOPERATION WITH THE UNITED STATES

Brazil's traditional policy of cooperation with the United States may be affected by two recent divergent trends. One, connected with the ouster of Labor Minister Joao Goulart, is the government's strengthened anti-Communist attitude; the other, seen in developments inside the Foreign Ministry and growing Brazilian commercial relations with the Orbit, is a tendency toward greater nationalism. The latter may offset to some extent the effects of the former.

On 28 January, the Brazilian Communist Party began its new "national" policy of outright opposition to the Vargas government. At a labor rally sponsored by Labor Minister Goulart the key Communist labor leader, Roberto Morena, attacked Vargas personally and criticized his administration as one of "corruption and ineptness controlled by Wall Street imperialism." Vargas promptly instructed Goulart to discontinue working with the Communists and to stop helping them expand their influence in labor unions throughout Brazil.

The new Moscow-inspired line propounded by the Communist Party on 1 January of this year is one to which Vargas is particularly sensitive since he has tolerated the Communists for some time past, and his own appeal to the electorate has for many years been based on nationalism. His need to combat such competing appeals to nationalist sentiment suggests that he will now pursue a vigorous anti-Communist policy.

The army's recent political activities may have provided further impetus for a vigorous anti-Communist policy. Military insistence on Goulart's dismissal, although motivated primarily by resentment over preferential treatment for labor and neglect of army needs, sprang in part from fear of Communist infiltration of the government.

Concurrently with his dismissal of Goulart, Vargas called for the resignation of War Minister Cardoso in an attempt to divert from himself the blame for bad conditions in the army. The new war minister, General Zenobio da Costa, led the anti-Communist forces in a struggle for power within the army in 1952 and may add to their political strength within the administration.

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In the Foreign Ministry, on the other hand, old line officials favorably disposed toward the United States have been gradually losing influence in recent months to less sympathetic, and occasionally pro-Communist advisers. Prior to the Caracas conference, Foreign Ministry officials indicated to the American embassy that Brazil would follow its customary policy of cooperation with the United States, but Foreign Minister Rao's public statements increasingly indicated a position on colonialism and on economic matters which was opposed to Washington's. A Foreign Ministry official has stated that the instructions Rao took to Caracas on 17 February were drawn up under "Communist" influence and without regard for the advice of the regular staff. He added that the permanent officials had not even been informed of Brazil's position on the item concerning Communist intervention in the hemisphere.

Trade negotiations with Hungary, delayed for some time by Budapest's failure to make sufficient offers to match its bid for \$30,000,000 worth of Brazilian goods, are now reportedly near completion. Concurrent negotiations with other Orbit representatives will reportedly result in a sale to Czechoslovakia and Poland of 100,000 tons each of iron ore from the Vale do Rio Doce Company, which in the past received priorities for American equipment and substantial Export-Import Bank loans to raise production for the free world. Informed of Washington's objections, an official of the Foreign Ministry intimated that his ministry opposed the sale and that negotiations were being conducted in response to outside pressure.

The firmer government position against domestic Communists is a kind of support for Washington's efforts to curb Communist intervention in the hemisphere, but the response to Orbit trade offers and the declining influence of the old line foreign service officials suggest that Brazil's growing nationalism will create other difficulties in Brazilian-American relations.

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MAGSAYSAY FACING PARTY CHALLENGE

Basic differences between President Magsaysay of the Philippines and leading members of the Nacionalista Party have been brought to the surface in a controversy over an "Asia for Asians" foreign policy. The Philippine Congress, meanwhile, one third through its regular session, has done nothing as far as the president's program is concerned.

The controversy began unexpectedly in early February when Carlos Romulo, recognized abroad as a Philippine spokesman but little liked by the older Filipino politicians, referred to the "Asia for Asians" slogan as the "leavings of Japanese propaganda." He was immediately answered by Under-secretary of Foreign Affairs Leon Guerrero, who stated that, on the contrary, the slogan represented the highest aspirations of the Asian peoples.

Guerrero, who is a protégé of the ultranationalistic Senator Recto, the traditional Nacionalista foreign policy spokesman, apparently intended his remarks only as an attack on Romulo. They touched off widespread speculation in the Philippine press and Congress, however, to the effect that the government might be contemplating a neutralist foreign policy and even perhaps the recognition of Communist China.

In the course of the debate, Senator Recto brought up American racial discrimination, and Vice President Garcia, who is also the foreign affairs secretary, made a thinly veiled attack on American economic policies toward the Philippines. The opposition Liberals have announced that they oppose the Recto-Guerrero position and support Magsaysay's foreign policy.

The president himself has neither clearly repudiated nor fully endorsed the position of his Nacionalista Party colleagues. He did say that he favored closer cooperation with Asian countries and that this was in no way incompatible with close association with the United States, a point also made by Recto and his followers. Magsaysay also has stated, however, that communism is the main threat to Asia today and observed that it is dangerous to express policy by means of slogans.

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The "Asia for Asians" debate does not at this time indicate that any basic shift in Philippine policy is likely. Its significance lies in the effort of older members of the Nacionalista Party, who have little in common with Magsaysay's program in general, to take the lead away from the president. He has in the past deferred to their greater political experience, as when he permitted them to name many of his appointees to policymaking posts throughout the executive department. He is reportedly aware of the danger to his program of such a practice, but he has not yet established his position as the party leader.

Meanwhile, with one third of the regular congressional session completed, an emergency appropriation for rat control is the only measure which has passed both houses and received the president's signature. Various reform measures, passage of which is essential to the president's reform program, have not yet been acted on. The president has been criticized in Congress for his appointment of army officers to civilian positions and for his frequent absences from Manila. These criticisms are of minor importance, but it is noteworthy that they have come as often from members of Magsaysay's own party as from the minority Liberals.

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**SHISHAKLI'S DOWNFALL PRECIPITATES STRUGGLE
FOR POWER IN SYRIA**

The struggle for power among Syrian politicians following the removal of Shishakli threatens to revive the bitter factionalism and the unresolved issues which brought the army into politics five years ago.

The politicians, now weakly banded together in a caretaker government, have no other basis of unity than opposition to Shishakli and to military control. The dominant parties, the Nationalists and Populists, are poorly organized, have no strong leadership, and have frequently changed their policies.

The Nationalists won independence from the French in 1945, but were discredited by Syria's performance in the war with Israel and were overthrown by an army coup in 1949. They now apparently want the return to power of individuals like ex-president Quwatli. The Populists, internally divided on domestic policy and the issue of Syrian-Iraqi union, represent the commercial interests in Aleppo which bitterly oppose the political supremacy of Damascus, the Nationalists' stronghold.

Smaller parties are grouped around personalities promoting radical ideas of social reform or Arab nationalism. Most prominent among these is Akram Hawrani's Arab Socialist Party and the Arab Resurrection Party, both loosely merged in December 1952 for the fight against Shishakli.

The new cabinet under Nationalist prime minister Sabri Asali includes four Nationalists, four Populists, and four independents. The Populists dominate, however, because of their hold on the key ministries of foreign affairs, defense, and interior. The strongest party leaders are not in the cabinet. Neither is Akram Hawrani. They are staying out in order to campaign more freely in the elections promised for May.

The Asali government is calling for the reassembling of the parliament which existed at the time of the 1949 coup. That parliament, however, contained no party majority and will be unable, if it ever meets, to take any action on the issues which have been unresolved in five years of military dictatorship.

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Asali has made favorable references to a Syrian union or federation with other Arab states. The prospect of union with Iraq precipitated Shishakli's 1951 coup. [REDACTED]

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The politicians are not likely to move hastily, but Arab nationalism dictates at least cautious exploration of current Iraqi proposals for federation. Any genuine move in that direction will provoke stiff opposition from Egypt, Saudi Arabia, Israel, and France.

The future role of the army is not clear. It is reportedly fully behind the Aleppo civilians who led the revolt, and it has promised to withdraw from politics. The fall of Shishakli set off a struggle for power within the army. The present chief of staff is expected to remain in office, but there remains doubt as to who is actually in control. Maruf Dawalibi, the pro-Soviet minister of defense, is trying to establish civilian control. The army may be tempted to re-enter politics if its autonomy is threatened, or if political fragmentation leads again to parliamentary bankruptcy, as it did in 1951.

The weaknesses of the two major parties may give a decisive role to leftist Akram Hawrani. His party, given to terrorist activities, has already stirred up student agitation against the Asali government. It collaborated with the Communists in fomenting disturbances during the recent revolt. The Moslem Brotherhood may also attempt to exploit any parliamentary impasses.

Syria will be internally unstable for some time. It is unlikely to deviate from Arab League policies on Israel, the Arab refugees, the Johnston plan and Middle East defense, but its instability may make it a pawn of rivals within the Arab League.

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WESTERN STAND ON JERUSALEM BEING UNDERMINED

Western opposition to recognition of Jerusalem as Israel's capital is being undermined by the increasing pressure on foreign missions to resume normal diplomatic contacts. The unified Western position, based on the 1949 UN resolution for internationalization of the Holy City, stiffened in July 1953 when Israel transferred its Foreign Ministry to Jerusalem, where other government offices have been located since 1949. In the last seven months, several breaches of the Western position have occurred, and Israel's efforts to strengthen its claim to the city can be expected to continue.

The Western missions, which are still in Tel Aviv, agreed among themselves not to contact the ministry or accept invitations to official functions there. Three main factors, however, tend to weaken this stand. One is the difficulty of day-to-day contact with a government physically separated from the diplomats accredited to it. Another lies in the question of where credentials for newly assigned chiefs of mission will be presented, and a third derives from the dual role of Prime Minister Sharett, who has retained the Foreign Ministry portfolio.

In spite of occasional visits to Tel Aviv by Foreign Ministry officials, the seemingly intentional ineffectiveness of the liaison office there has induced Western missions to increase their informal diplomatic contacts in Jerusalem.

On the question of presentation of credentials, the Western front was weakened by two recent incidents. On 7 December the Italian minister presented his credentials at the Foreign Ministry in Jerusalem. The new Swiss minister was authorized in mid-February to present his credentials to the president and visit Prime Minister Sharett there.

In early February the French ambassador, dean of the diplomatic corps, further damaged the united front when he called on Sharett in Jerusalem to congratulate him on his premiership. Sharett, a shrewd and experienced diplomat, will probably make subsequent use of his dual position to confuse the Western stand on Jerusalem. While none of the Soviet bloc countries has moved its mission to Jerusalem, the new Soviet minister formally presented his credentials there on 4 December. The Israelis probably hope to use the Soviet action as a lever on the West.

The Western powers, apprehensive of a strong Arab reaction and hesitant to acquiesce in an Israeli fait accompli, will try to avoid any steps inconsistent with the UN resolution for internationalizing Jerusalem. Israel, however, bound to Jerusalem by emotional ties, will hardly compromise its long-range claim and will probably become more insistent that diplomatic contacts be made there.

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THE RECONSTRUCTION OF THE ELECTRIC POWER
INDUSTRY IN NORTH KOREA

A minimum of three more years will be required to restore North Korea's heavily damaged electric power system to its pre-1950 condition. Aided by technicians, manpower, and equipment from other Orbit countries, the restoration will probably keep pace with, rather than limit, other industrial rehabilitation (see map, p. 19).

In 1945 North Korea had a capacity of about 1,500,000 KW, or about 90 percent of Korea's total and approximately two thirds that of China. The Japanese had planned to double this by 1950, but the Communists failed to continue the project, and at the outbreak of the Korean war, North Korea's total capacity was virtually unchanged.

In June 1952 large-scale air attacks knocked out most of the installations. Despite [REDACTED]

[REDACTED] the speedy beginning of repair work generally, it is doubtful that any major rehabilitation was completed prior to the armistice, as continued UN air attacks hindered such operations.

In late 1952 orders were placed with East German suppliers for parts and equipment for reconstruction of the distribution system. In December 1953 Premier Kim Il-sung reported to the Supreme People's Assembly on the planned aid to North Korea, mentioning that the Suiho (Supung) Power Generating Station on the Yalu River was among the projects to be rehabilitated with the billion-ruble aid grant from the USSR. Until 1952 about half of this station's 400,000 KW capacity went to Manchuria. Czechoslovakia promised material and technical aid to assist in restoring the generating stations of the Choshin System (Changjin River), the Kyosen System (Hochon River), and the Fusen System (Pujon River). Hungary and East Germany were to supply additional electrical equipment.

Since Koreans generally do not have the technical experience to supervise major repairs, the other Orbit countries are sending technicians. The manual labor, on the other hand, is being done by Korean and Chinese military personnel as well as local inhabitants, evidencing the general shortage of labor.

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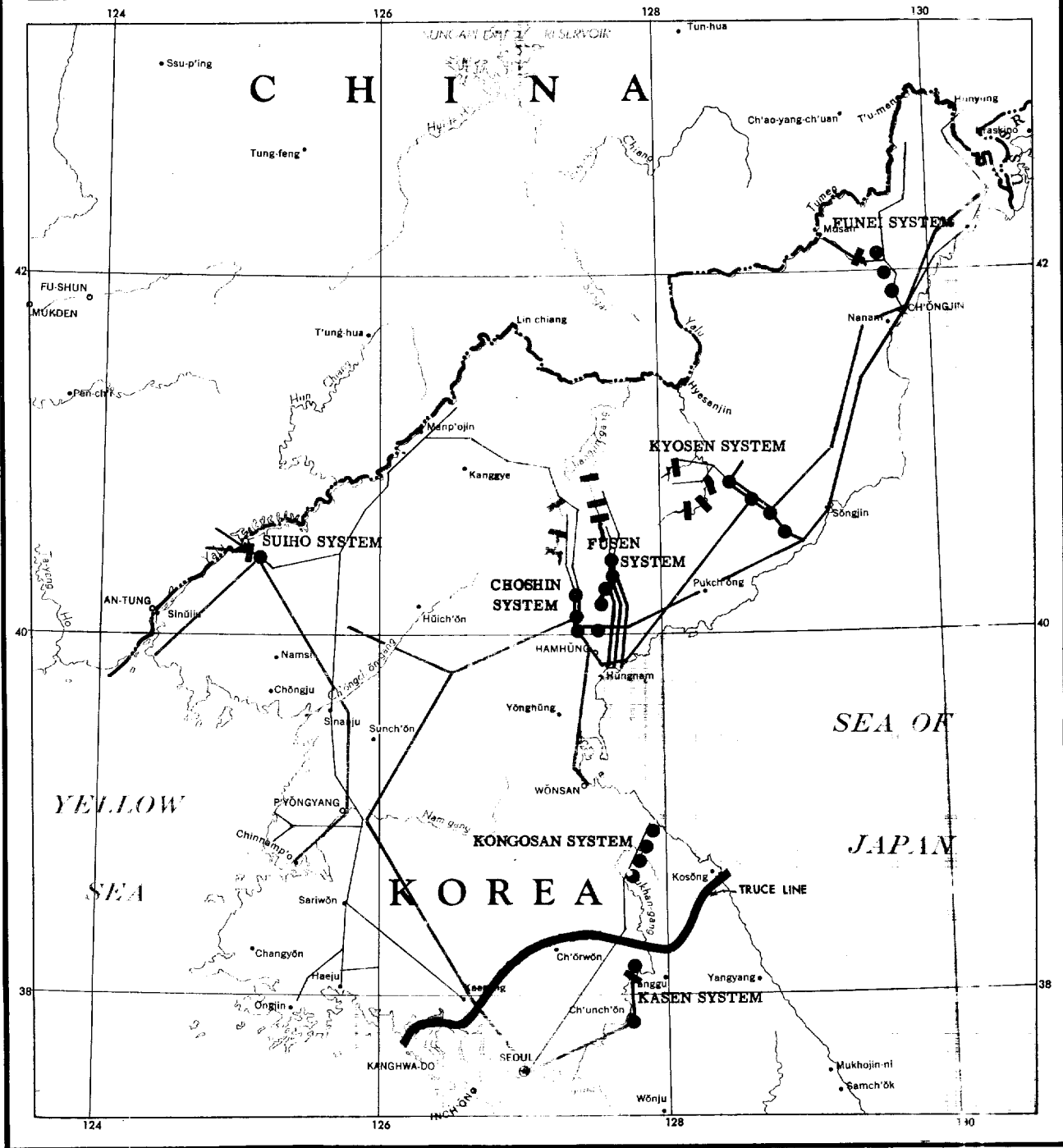
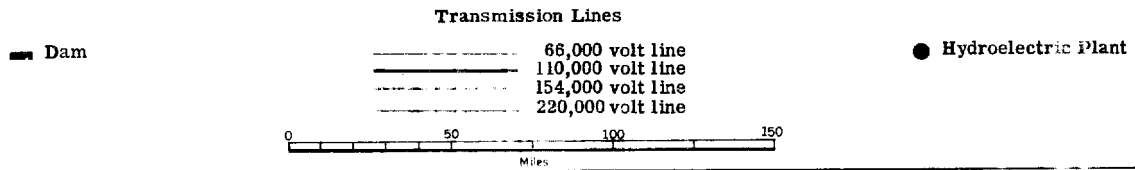
A Pyongyang announcement of 7 August 1953 indicated that restrictions on power for private use would be lifted before 1 September, and a broadcast of 30 December stated that the total supply of power to cities and counties had increased three to four times as compared to the war period. Several unidentified power plants, probably including Funei Number Two, were described as restored and in operation by November 1953.

The Koreans have not publicly speculated when Suiho will be restored to its former operating capacity, but since one, and possibly two, of the four 100,000 KW generators and more than half of the transformers were damaged, from 24 to 30 months would be a minimum requirement for complete restoration. North Korea plans to re-establish its over-all industrial capacity in three years, and it is probable that power rehabilitation will keep pace with this plan.

Fourteen percent of North Korea's power used to be supplied to Manchuria. Until 1949 an additional seven percent went to South Korea, but it is unlikely that the Communists will resume this supply. They have lost about the same amount of power previously supplied from the Kasen (Hwachon) hydroelectric station, which is located above the 38th Parallel but below the truce line, and is being restored under the American aid program.

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NORTH KOREAN ELECTRIC POWER INDUSTRY



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VARGA'S VIEW OF DELAYED CAPITALIST CRISIS
MAY HAVE OFFICIAL SOVIET SUPPORT

The Malenkov regime apparently shares the view of Soviet economist E. S. Varga that the ultimate collapse of capitalism has been delayed. Varga was recently awarded the Order of Lenin "for long service and irreproachable work." This award, the mild treatment he received during his partial disgrace after 1947, and his reappearance after Stalin's death, suggest that he consistently has had support at high levels.

In 1946, Varga propounded the view that capitalist countries were able to undertake economic planning through government regulation if they felt their existence depended on it. He was officially criticized soon after his book was written, but instead of making the customary immediate recantation, continued to argue publicly with his critics for two years. It was not until the spring of 1949 that he finally did recant publicly.

Since his return to favor, Varga has published three articles in Pravda on the American economy and a long book on the economy and politics of imperialism. In these, he describes an "inescapable tendency toward overproduction" in the United States, arising from an ever-increasing productive capacity coupled with an internal market which is shrinking as a result of the "growing impoverishment of the working class."

The demands of war production alleviated the depression of the 1930's, according to Varga, but at the same time stimulated an expansion of American productive capacity and thus compounded the problem of absorbing total output under peacetime conditions. Thus by 1948 a new crisis of overproduction threatened the United States, which found it necessary to launch an extensive export program, a new armaments race, and finally the war in Korea in order to absorb the increased output. These measures were temporarily successful, but required large government expenditures and correspondingly high taxes which, by cutting into the purchasing power of American consumers, further reduced the internal market for nonmilitary goods.

Up to this point Varga is pretty well in line with Stalinist analyses, but he then departs from them by asserting that American capitalists themselves are divided as to the merits of this warmongering course. He states that the shrinking of the nonmilitary market cut the profits of the peacetime goods producers and precipitated a bitter conflict between them and those whose profits came from the production of war materiel.

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He finds that there has been a "modification in tone" of American propaganda since President Eisenhower's inauguration, and attributes this to the activities of the peaceful monopolists. Inasmuch as he does not exclude the possibility that this group might be able to force a change in American "warmongering" policies, he leaves the Soviet reader with a much more confused impression of American policy than the specters conjured up by the writers of Stalin's later years.

This same element of uncertainty has crept into Varga's analysis of the progress of the crisis of overproduction in the United States. In an article in October 1953 he outlined such symptoms of crisis in the US as growing inventories, huge stocks of agricultural produce, and rising unemployment, and concluded that "the United States economy is heading straight for a crisis of overproduction." In January 1954 he said: "Of course, it is difficult to draw an accurate picture of the further development of the symptoms of crisis under contemporary complex conditions of the ever-deepening general crisis of capitalism. But it is clear that the crisis of overproduction in the United States is becoming to an ever-increasing extent an actually operative factor."

This weak conclusion is a marked departure from Stalinist writings, which almost invariably asserted that the United States was already in the throes of a serious economic crisis. By relegating the American "crisis of overproduction" to the future, Varga also postpones the date of the expected ultimate collapse of capitalism.

Soviet ideologists have long felt that it is during the period of "final capitalist disintegration" that the USSR must possess maximum strength, both to defend itself against the attacks of the desperate capitalists, and, in case of need, to give the coup de grace to the capitalist system. Postponement of this period would direct Soviet attention to the build-up of long-term strength within the Orbit, and in this respect is thoroughly consistent with present Kremlin policies.

If the Varga position has in fact become the official doctrine of the Soviet leaders, it would appear that they are uncertain about immediate American economic prospects, and that they are likely to rely more heavily on empirical analysis than on Stalinist dogma as a theoretical base for estimates.

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