

**CONFIDENTIAL**

OCI NO. 7106

25 June 1954

*FD*

# CURRENT INTELLIGENCE WEEKLY



DOCUMENT NO. 9  
NO CHANGE IN CLASS.   
DECLASSIFIED   
CLASS. CHANGED TO: TS S 0/187  
NEXT REVIEW DATE: \_\_\_\_\_  
AUTH: HR 70 28/29  
DATE: 28/29 REVIEWER:

25X1

CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

~~SECRET~~

25X1

**CONFIDENTIAL**

State Dept. review completed

THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECTIONS 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

The Current Intelligence Weekly has been prepared primarily for the internal use of the Central Intelligence Agency. It does not represent a complete coverage of all current situations. Comments and conclusions represent the immediate appraisal of the Office of Current Intelligence.

~~SECRET~~

25 June 54

**CONFIDENTIAL**

SUMMARY OF CONTENTS

THE SOVIET WORLD . . . . . Page 4

THE INITIAL UN SECURITY COUNCIL ACTION ON GUATEMALA . . Page 6

Initial Security Council action on the Guatemalan crisis has caused serious repercussions among UN members with strong neutralist and anticolonial sentiments. Comment on the United States' position in the matter has been adverse.

THE MENDES-FRANCE GOVERNMENT . . . . . Page 8

Mendes-France's public promise to end the Indochina fighting by 20 July or resign will almost certainly keep him in power until then. Should he obtain an armistice, he will be in a strong position to press the National Assembly for the program of economic reforms which is his major long-term interest.

US-SOUTH KOREAN RELATIONS FACE CRITICAL PERIOD . . . . Page 11

American relations with South Korea are entering a critical period with the end of the Korean talks at Geneva. President Rhee is likely to renew his demands for American aid in unifying Korea by force.

ITALIAN CHRISTIAN DEMOCRATIC PARTY CONGRESS MAY DETERMINE GOVERNMENT POLICIES . . . . . Page 13

The Italian Christian Democratic Party's national congress may determine not only the fate of the Scelba coalition but the course any successor government might follow. The party's present leadership now appears likely to retain control.

USSR STRENGTHENS ECONOMIC TIES WITH AFGHANISTAN . . . . Page 15

The reported agreement between the USSR and Afghanistan to build a gasoline pipeline connecting the two countries and negotiations for constructing a hard-surfaced road across the border are in line with Moscow's increasingly successful efforts to expand its economic influence in Afghanistan. Coinciding with Western successes in promoting a Middle East military alignment, these efforts are probably directed at forestalling any Afghan move to participate in Western plans.

~~SECRET~~ **CONFIDENTIAL**

**SECRET**

**GROWING INDIAN INFLUENCE A DISTURBING FACTOR IN AFRICA. Page 18**

Growing Indian political support of African nationalism is an irritant to white governments of East and Central Africa and the Union of South Africa. While the Indians give impetus to native movements, they are unlikely to secure a firm political position locally because of widespread dislike and suspicion by the African masses.

**SECRET**

## THE SOVIET WORLD

The Geneva conference has entered a new phase following the termination of negotiations on Korea, the departure of the chief delegates of the principal powers and the investiture of a new French premier pledged to seek an end to the Indochina war before 20 July.

By making one minor concession and dropping several hints of a future compromise, the Communists succeeded in keeping the Indochina phase of the conference alive. Their proposals to date, however, have not committed them to any withdrawal from their maximum demands.

On the question of armistice supervision, Molotov proposed that an Asian neutral--he suggested Indonesia--be the fifth power on a five-nation international commission which would include two Communist states, or that it be the third power on a three-power commission with one Communist state. Previously the Communists had insisted on a four-power commission with two Communist states. However, the major decisions before such a commission would still require unanimity.

Chou En-lai made a proposal on 16 June for a military settlement in Laos and Cambodia which implied the possibility of a withdrawal of Viet Minh forces from those states. In addition, the Viet Minh delegate proposed that the conference work out a political settlement for Vietnam alone and postpone settlements in Laos and Cambodia. These moves have aroused speculation that the Communists might eventually settle for a partition of Vietnam and a neutral Laos and Cambodia. Despite such hints, the Communists are still in a position from which they can easily return to their maximum demands.

The Communists' next moves regarding an Indochina settlement may well be strongly influenced by Moscow's attitude toward the Mendes-France government, the outcome of the Churchill-Eden visit to Washington, and the results of the military staff committees' talks in Geneva. In this connection, the departure from Geneva of both Molotov and Gromyko suggests that Moscow does not contemplate any major developments at the conference in the next three weeks.

Peiping's initial editorial comment on the breaking off of the Korean talks reiterated that the Communists have not written off future negotiations and noted Chou's proposal at Geneva for a resumption of talks. Pravda on 19 June charged

SECRET

**SECRET**

Approved For Release 2004/06/24 : CIA-RDP79-00927A000300090001-1

the West with attempting to exclude China from participation in a Korean solution by transferring the question to the United Nations and warned that it will be impossible to resolve this question without the Chinese Communists. Communist propaganda pictured the Churchill-Eden visit to Washington as an attempt to cover up fundamental Western differences and appeared to reflect apprehension that the Washington talks might increase the risk of Anglo-American intervention in Indochina.

Soviet comment on the investiture of Premier Mendes-France shows cautious optimism and restrained approval of the new government. A 20 June commentary declared that the replacement of Laniel by Mendes-France constitutes a condemnation of the "US-led coalition" and signifies recognition of the need for a change in French policy. Pravda observed on 19 June that this was not just another change of cabinets pursuing the same policy, but "a definite political shift" caused by "the failure of the foreign policy" pursued by every cabinet since 1947. Ambassador Dillon reported that the French Communists apparently estimate that they will have a better chance to bring about the rejection of EDC if Mendes-France succeeds in obtaining a cease-fire in Indochina.

All of the presidium members except Molotov and Pervukhin attended the Soviet air force show on 20 June. Soviet reports of the show again listed presidium members and alternates alphabetically following the precedent set at the recent Trade Union Congress. The inclusion of P. K. Ponomarenko with the alternate members of the presidium apparently negates earlier indications that he lost this position when assigned to Kazakhstan in February.

This practice of alphabetical listing deprives Malenkov of one of his few remaining attributes of prominence within the presidium. While such a practice could be designed merely to emphasize collectivity, it may also indicate that stresses within the ruling group have now resulted in an inability to agree on precedence in listing.

**SECRET**

Approved For Release 2004/06/24 : CIA-RDP79-00927A000300090001-1

## THE INITIAL UN SECURITY COUNCIL ACTION ON GUATEMALA

The UN Security Council meeting of 20 June on Guatemala-- the end product of which was a mild resolution deprecating bloodshed and calling for members to refrain from giving assistance to either side--has already caused serious repercussions among UN members with strong neutralist and anti-colonial sentiments. The resolution to refer Guatemala's complaint to the Organization of American States was vetoed by the USSR, and the heavy Communist propaganda on the issue is evidently designed to further a recognized Soviet objective: the moral isolation of the United States.

Following the action on its initial appeal to the UN on 19 June, Guatemala requested another Security Council meeting for 23 June. The initial Guatemalan move appears to have been an attempt to circumvent the inter-American machinery provided for by the 1947 Reciprocal Assistance Treaty and to gain the widest possible propaganda opportunities. Action by the General Assembly would also be possible under the 1950 "Uniting for Peace" resolution, but no move to seek such action has been initiated.

In an apparent attempt to rebut possible charges that it was ignoring its legal obligations to seek regional remedies, Guatemala on 19 June filed a complaint with the Inter-American Peace Commission, semiautonomous five-member subsidiary of the OAS. It later asked the Peace Commission to defer any action. Finally Guatemala withdrew the charge entirely on 22 June, possibly in the belief that it had more to gain by restricting consideration of the case to the Security Council, where the USSR can support the Arbenz case more effectively-- by the veto among other things. Guatemala's move was countered by a Honduran appeal to the Peace Commission on 22 June. Honduras' action probably reflected a desire to block full-scale OAS and UN debate on the Guatemalan complaint.

Britain appears unwilling to propose any action with regard to Guatemala that might cause unfavorable repercussions in adjacent British Honduras or involve London directly in a situation likely to cause further friction in Western relations with the Soviet Union. There is reason to believe that London is not seriously concerned over Communist influence in the Guatemalan government and that it does not believe the Guatemalan army represents a threat to neighboring territories. Foreign Secretary Eden's 21 June speech in Parliament, firmly supporting the attempt to refer the Guatemalan issue to the OAS, reflects the British desire to keep the controversial subject within the confines of a regional body.

**SECRET**

Approved For Release 2004/06/24 : CIA-RDP79-00927A000300090001-1

In Scandinavia, the press has been highly critical of the United States' position in the crisis. No official Scandinavian reaction is available; but these countries normally follow the British lead on such issues in the UN.

France, though also supporting the attempted referral of the case to the OAS, is evidently trying to avoid getting too firmly aligned with the United States on this issue. Contrary to previous practice, the French did not give the American delegation the usual opportunity to work out a mutually satisfactory text before introducing the resolution that was finally adopted by the Security Council.

Practically the only forthright Western European support for the attitude of the United States toward the Guatemalan hostilities came from West German chancellor Adenauer, whose country is not a member of the UN.

The Arab-Asian bloc reflected its usual anticolonial attitude. An Egyptian home service radio broadcast called the situation "a warning to the Western countries regarding the zones which they believe are subjected to them or to their complete influence." In India, even conservative papers have equated the "intervention" of the United States in Central America with Chinese Communist intervention in Southeast Asia.

Communist propoganda has continued to exploit the situation as a prime example of American imperialism. Moscow before and since the Security Council meeting has sought to support the charge made then by Soviet delegate Tsarapkin that the invasion was long planned and sponsored by the ruling circles of the United States.

Official Latin American reaction has been scattered, with most governments withholding comment. Only Honduras has denounced the Guatemalan charges as unfounded, while the Ecuadoran government and the Uruguayan Chamber of Deputies have expressed concern over the "intervention now occurring in Guatemalan affairs." Popular reaction thus far reported has been divided, with the demonstrations against the United States tending to be the more intense.

Several governments have applauded Lodge's speech in the UN and have deplored Soviet use of the veto to block referral of the dispute to the OAS. However, increased opposition to Washington's plan for a full-scale OAS meeting at which Guatemala would be named as a threat to the hemisphere now seems likely. Latin Americans would probably insist on considering the "invasion" at any such meeting, unless it was called ostensibly to consider Communist infiltration in the hemisphere rather than the specific question of Guatemala.

**SECRET**

Approved For Release 2004/06/24 : CIA-RDP79-00927A000300090001-1



## THE MENDES-FRANCE GOVERNMENT

Pierre Mendes-France, who won investiture by the National Assembly on his promise to end the Indochina war by 20 July or resign, will almost certainly remain in power until then despite certain incompatibilities within his cabinet. Should he reach an agreement on Indochina, he will be in a strong position to press the assembly for action on the EDC treaty and for special powers to carry out the economic reform program which is his major long-term interest.

The new cabinet represents a sharper break with previous cabinets than even Mendes-France may have expected, since it does not contain any of the prominent "men of continuity" who have been in one after another of France's postwar cabinets. It is in effect a minority government, since the Socialists are not represented, and it includes only minority Popular Republican, Independent and dissident Gaullist members.

While the vote for Mendes-France represents a distinct shift to the left, his disavowal of Communist support and the Socialists' refusal to participate in his cabinet obliged him to select more rightist members than he probably desired. Members of the center parties, however, hold a number of key positions and a slight majority of all posts. Finance Minister Edgar Faure, whose views closely parallel the premier's, is the only prominent holdover from Laniel's government. Several of the new ministers, though relatively young, have had previous cabinet experience. Some have worked closely with Mendes-France since June 1953 when he made his unsuccessful bid for the premiership.

The most important newcomers are probably Pierre Koenig, close friend of De Gaulle, in the Defense Ministry; another Gaullist, Christian Fouchet, in the newly created Ministry of Moroccan and Tunisian affairs; and the Independent Guerin de Beaumont, new deputy foreign minister. Koenig will be in a position to voice army opposition to EDC. Pleven kept this opposition under control.

Fouchet's appointment is apparently in conflict with the moderate policy Mendes-France has proposed for North Africa. Fouchet may have been forced on the premier by the Gaullists in order to block new reforms. Guerin de Beaumont will probably concentrate on EDC, his specialty. He still seems to consider EDC the least undesirable form of German

SECRET

Approved For Release 2004/06/24 : CIA-RDP79-00927A000300090001-1

rearmament, but his proposals of last January to revise the treaty would destroy its supranational character.

Mendes-France reiterated to Under Secretary Smith on 20 June that an Indochina settlement is essential. It is not clear just what terms he will offer or accept as a basis for peace, but he assured Smith that he would not accept conditions that constituted a surrender to the Viet Minh or even a "disguised capitulation." He has also expressed the hope that the nine-power technical discussions on a cease-fire now going on at Geneva will make sufficient progress to justify reconvening the foreign ministers before 12 July. The professed willingness of the Viet Minh representative at Geneva to withdraw any remaining Viet Minh "volunteers" from Cambodia and Laos will increase pressure on Mendes-France to achieve an armistice.

As regards EDC, Mendes-France insisted to Smith on 20 June that he continued strongly and solidly in favor of the movement for European unity in every field. Nevertheless, he was unwilling to seek assembly action on the EDC treaty before attempting to find a compromise acceptable to all the deputies who believe German rearmament necessary. He said he plans a vote on ratification before the summer recess if a settlement on the Indochina question can be reached first. The premier told Smith that he would then ask for ratification of the treaty with the understanding that France's EDC partners would be asked to accept the changes. He made no mention to the under secretary, however, of concessions reportedly made to pro-EDC deputies to win investiture. There is, moreover, some reason to believe that his proposed EDC modifications will be unacceptable to the treaty's supporters in France and the five other countries.

Mendes-France's economic policy, from which his whole program stems, is aimed at putting France in a competitive position internationally. He favors increased production and temporary restrictions on domestic consumption, and calls for an increase in investments and retrenchment in non-productive governmental expenditures, notably in the military budget. He stated publicly in October 1953, and in a letter he is reported to have written Laniel in May 1954, that EDC should be delayed until such a policy is in force. It is probable, however, that he would not advocate cutting military expenditures in Europe if the Indochina question were solved.

SECRET

Approved For Release 2004/06/24 : CIA-RDP79-00927A000300090001-1

Mendes-France may face a crisis as soon as the results of the new Indochina policy are clarified. The French political writer Servan-Schreiber told Ambassador Dillon early in May that Mendes-France would head a government which would set forth a program covering all important issues, and would call for dissolution of the assembly and new elections unless it were accepted.

Mendes-France now is saddled with the responsibility of acting on his previous charges that preceding governments have failed to deal with France's allies on a realistic basis. He has consistently maintained that France can expect to be treated on an equal footing only when it has frankly defined its capabilities and has limited its commitments to those it can be sure of fulfilling.

US-SOUTH KOREAN RELATIONS FACE CRITICAL PERIOD

American relations with South Korea are entering a critical period with the end of the Korean talks at Geneva. President Rhee is likely to renew demands for American aid in unifying Korea by force.

Seoul's probable attitude on unification, for the near future, was indicated by Foreign Minister Pyun's statement on 16 June that the armistice agreement is no longer valid, that his country is "perfectly free to take any action" it desires, and that the UN General Assembly no longer has authority to concern itself with the problem of Korean unification.

In the period immediately following the Geneva conference, Rhee may well stage some dramatic move designed to harass the UN Command and to discredit American efforts to unify Korea peacefully--a move which would, however, involve no risks for him. Such actions might include ejecting the Neutral Nations Supervisory Commission from South Korea, demanding the recall of the United Nations Commission for the Unification and Rehabilitation of Korea (UNCURK), or withdrawing South Korean forces from the UN Command.

The Dulles-Rhee agreement of 8 August 1953 called for an American-South Korean conference following the Korean political conference. Rhee's previous statements suggest he will demand at these talks that the United States join him fully in military action, provide naval and air support for South Korean forces, or build up the latter so they can unify Korea without outside assistance.

There are indications that prior to and during this conference, Rhee will threaten military action to bring pressure to bear on the United States. According to the South Korean press, he has already instructed his military advisers to prepare for military action. Earlier this year he reorganized his high command, giving himself greater command flexibility which would be useful in an attack on North Korea.

25X1 25X1  

He told the press on 11 June that "if fight we must, let us get started as soon as possible."

**SECRET**

Rhee is apparently convinced, however, that without help he cannot defeat the North Korean and Chinese Communist forces; he has been told flatly by most of his military commanders that a unilateral attack would be hopeless. In several communications with American officials he has acknowledged South Korea's dependence on United States logistical support.

While his fanatical determination to unify Korea during his lifetime could cause him to disregard rational military factors, the weight of evidence suggests that he will not adopt this course of action.

Rhee may try to embroil the United States in renewed fighting by promoting Sino-American conflicts. He probably believes that American support for South Korea depends on such conflicts, and that in the event of war with China, the United States would be obliged to reinforce the Korean front. It follows that the danger of unilateral South Korean military action would increase if the United States moved toward closer relations with Peiping.

The recent South Korean-sponsored Chinhae conference reflects Rhee's frustration at being excluded from participation in American plans for a defense community in Southeast Asia. As that area is the one where Sino-American conflicts are most likely to occur, he probably views membership in such a community as an indirect means of ensuring American support for South Korea.

Rhee may also attempt to undermine American efforts to establish a strong, friendly Japan, economically integrated with Southeast Asia. He may hope to press American congressional and public opinion to accept his "league" of small Asian nations established at Chinhae, rather than Japan, as the basis of the United States' position in the Far East.

Rhee's determined efforts to pursue these aims are likely to cause a serious deterioration in American-South Korean relations over the next few months. Relations will be further exacerbated by a number of other issues capable of inflaming Rhee. These include: (1) his previous demands for a 35-division army with naval and air supporting units, including jets; (2) the revision of the American-South Korean mutual defense pact; (3) the conclusion of a status of forces agreement; (4) a greater South Korean voice in the disbursement of American aid funds; (5) the retention of the present unrealistic exchange rate; (6) the recall of American economic co-ordinator Tyler Wood; and (7) the cessation of American aid purchases in Japan for Korean recovery goods.

**SECRET**

25 June 54

ITALIAN CHRISTIAN DEMOCRATIC PARTY CONGRESS MAY DETERMINE  
GOVERNMENT POLICIES

The national congress of the Italian Christian Democratic Party in Naples on 26-29 June may determine not only the fate of the Scelba coalition but the course any successor government might follow. The Christian Democrats are by far the largest single party in parliament, and decisions made at the congress will almost automatically be reflected in government policy.

The party's present center and left-of-center leaders now appear likely to retain control, and this would assure the continuation of the Scelba cabinet. Their margin of support is small, however. Should there be an open break, the price for party unity would probably be compromises on economic and social reforms and postponement of decisions on controversial issues like EDC.

Four clearly recognizable factions, which basically agree on foreign policy, are competing for control of the party; (1) the right wing, within which former premier Pella and a group of younger men seem to be taking over from Foreign Minister Piccioni; (2) the "De Gasperi center"; (3) the left-of-center Democratic Initiative, a reformist group more or less under the leadership of former premier Fanfani; and (4) a small group of leftists headed by Chamber of Deputies president Gronchi, who advocated "conversations" with the Communist-allied Nenni Socialists.

The biggest question facing the Christian Democrats since the June 1953 election has been their relationship to the Monarchists, whose 40 seats in the Chamber of Deputies seemed to offer the prospect of a stable majority. The right-wing leaders argue that a firm anti-Communist program requires a lasting alliance with the Monarchists. Most Christian Democratic leaders, however, fear that a move to the right would jeopardize the party's reform program and its alliance with the three small center parties, besides tending to increase the popular vote of the extreme left.

More recently, the strength of the right wing seems to have been undermined by the center faction. This was accomplished when De Gasperi succeeded in causing Naples' Mayor Lauro to split off from the National Monarchist Party, thus decreasing the strength of the Monarchist bloc by about one

**SECRET**

fourth and correspondingly weakening the arguments of rightist Christian Democrats. These right-wing leaders are now trying to induce De Gasperi to reconsider his alliance with the Democratic Initiative in the hope that he will prefer the right-wing leaders to Fanfani as his partners for controlling the party.

There also have been signs of restlessness within the Democratic Initiative, particularly in the trade union groups, which is showing a tendency to pull away to the left. Fanfani's personal prestige, which declined after his failure in January to win the premiership, has recently shown some recovery. At present, this faction remains the strongest and most compact in the party.

Gronchi, chief of the party's left wing, is expected to make a strong bid for prominence at the national congress. He is reported to have drawn up a declaration on policy which is picking up support in other factions.

The moderate press in Italy is already predicting a victory at the congress for a De Gasperi-Democratic Initiative combination. This prediction is based largely on the decision of the present National Council, the party's governing body, to select its successor under new election rules which would give complete control to the largest party group.

There was considerable opposition in the national council to this decision, however, and it carried by only a small vote. If the forthcoming congress likewise develops into a closely matched contest, with the center and left-center united to perpetuate the present leadership against the combined opposition of the left and right factions, the probable result will be a "compromise council" and a party program watered down enough to make it palatable to all elements.

In any event, some shifts in the roles of individual party leaders after the congress seem certain. De Gasperi is considered likely to succeed Einaudi as president of the republic. This would mean his withdrawal from the direction of party affairs some time this year. Fanfani is favored to succeed De Gasperi as party secretary general, with Scelba remaining as head of the government. Scelba's position as premier would be somewhat weakened if Fanfani headed the party, but it would not be seriously damaged.

**SECRET**

USSR STRENGTHENS ECONOMIC TIES WITH AFGHANISTAN

The reported agreement between the USSR and Afghanistan to build a gasoline pipeline connecting the two countries and negotiations for constructing a hard-surfaced road are in line with Moscow's increasingly successful efforts to expand its economic influence in Afghanistan. Coinciding with Western successes in promoting a Middle East military alignment, these efforts are probably directed at convincing the Afghan government that its economic interests can be served best by close ties with the USSR and at forestalling any future Afghan move to participate in Western plans (see map, p. 17).

Until the renewal of negotiations for a Middle East defense arrangement, the USSR displayed only routine concern over Western assistance to the Afghan economy. The sole exception was a strongly worded Soviet note in August 1952 protesting French assistance in the development of oil resources in the north.

In December 1953, following the resumption of Western activities on behalf of Middle East defense, the annual Soviet-Afghan barter agreement was renewed. It provided for an exchange estimated at approximately \$25,000,000 in 1954--a \$9,000,000 increase over the estimated level of deliveries in 1953. In January, a \$3,500,000 credit agreement was signed for the construction of grain processing plants by Soviet technicians.

In early April, the Afghan foreign minister stated that Soviet ambassador Degtyar had called on him "practically every day" since the announcement of the Turkish-Pakistani agreement --on 2 April--and had pressed the Afghan government to accept Soviet military, economic and technical aid. Late in April, the USSR successfully concluded a second agreement providing for a \$600,000 Soviet loan to build gasoline storage facilities in Kabul.

The proposed pipeline, which would cost Afghanistan the equivalent of about \$300,000, would extend south from the Soviet border at Kaliv some 50 miles inside Afghanistan to Mazar-i-Sharif, where there are gasoline storage facilities built by Soviet technicians following World War II. [REDACTED]

25X1

[REDACTED]

Afghanistan imports more than half of its gasoline from the USSR, and the proposed pipeline, in addition to the storage tanks at Mazar-i-Sharif and the proposed installations at Kabul, would increase Afghan reliance on Soviet imports.



**SECRET**

While the terminal points of the proposed hard-surfaced road are unknown, it would probably extend south from Mazar-i-Sharif, near the Soviet border, to Kabul, and would be of great value in facilitating the flow of commerce between the two countries. Such a road has long been the pet project of the Afghan king. Soviet ambassador Degtyar recently told the American ambassador that the USSR is not at this time considering the construction of a railroad in northern Afghanistan.

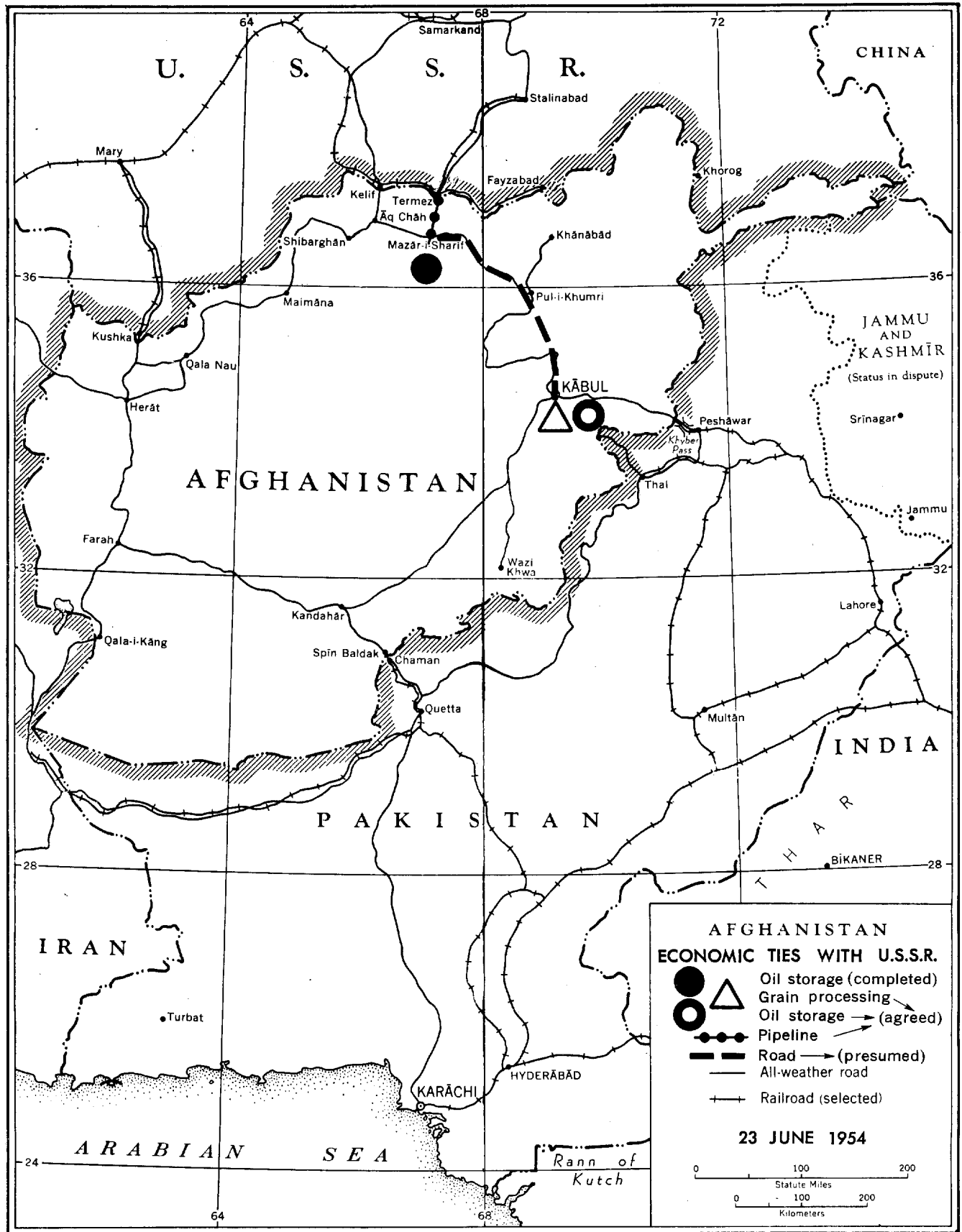
Moscow's decision to grant aid to Afghanistan is in line with long-standing Soviet policy of encouraging its status as a buffer state by keeping the country, particularly the northern region, free of foreign influence--other than Soviet. The Soviet-Afghan nonaggression treaty of 1931 binds each country to refrain from steps which might cause military injury to the other and not to join any political or military alliance directed against the other.

Moscow's interest in the northern region has been reflected for several years in Soviet propaganda charging that the area is being penetrated by American agents operating under the UN and Point Four programs. Numerous reports have also indicated that the Uzbek, Tadzhik and Turkmen tribes which have ethnic and linguistic ties with Soviet peoples have been infiltrated by Communist agents. Moscow's current increased economic activity probably does not, however, presage an all-out effort to subvert the Afghan government.

In the face of increased Soviet efforts to expand economic ties, the Afghans are apparently attempting to hew to their traditional line of playing off the USSR against the West. They have repeatedly called the attention of the American embassy in Kabul to the difficulties of their position and to the Soviet "pressures" being exerted on them.

Afghan willingness to negotiate a series of economic agreements has furthered Moscow's current policy of maintaining a buffer between Pakistan and the USSR's central Asian industrial complex. Since the Afghan economy is, however, still primitive and self-reliant in most of its aspects, it is unlikely to become inextricably tied to the USSR through the kind of aid now being proffered.

**SECRET**



25 June 54

GROWING INDIAN INFLUENCE A DISTURBING FACTOR IN AFRICA

Growing Indian political support of African nationalism is an irritant to white governments of East and Central Africa and the Union of South Africa. While the Indians give impetus to native movements, they are unlikely to secure a firm political position locally because of widespread dislike and suspicion by the African masses.

The million-strong Indian community, concentrated in the Union of South Africa, Mauritius, and British East Africa, has dominated small business for a generation. The Indian's emergence as a political factor, however, is a relatively recent development. Faced with racial discrimination similar to that enforced against Africans, the Indian supports the African nationalists and furnishes leadership in the campaign against their governments.

The introduction of new political methods and leadership by Indians is best demonstrated in the Union of South Africa, where their aid to other non-European elements has greatly strengthened the challenge to white supremacy. The traditional Indian method of passive resistance was used successfully in the recent "defiance campaign" against the Union government's racial program. Another tactic, a boycott by Africans against European shop owners, is achieving appreciable results in the Cape Province.

The leftist Indian National Congress is working for cooperation among the non-Europeans of South Africa, and Indian leaders are very influential within the executive council of the African National Congress.

In Kenya, there is widespread white criticism that the Indian community has not done its share to combat the Mau Mau. Some of the Indians have used commercial resources to aid terrorists, and individual Indian traders are known to have supplied the Mau Mau with arms and food. The former Indian commissioner in Nairobi is widely believed to have furnished financial aid to the terrorists.

The bitter and continued attacks by Indian leaders on the Kenya government, charging European overrepresentation and discriminatory social and economic practices, has encouraged the African nationalists and subversive movements. Indian boycotts of elections and reluctance to co-operate with government reforms have handicapped progress toward the multiracial state envisaged by Britain for Kenya.

~~SECRET~~  
**CONFIDENTIAL**

Particularly significant to the problem of Indians in Africa is the increasing attention which Nehru's government is devoting to the continent. In the United Nations, India has led Arab-Asian bloc attacks on colonialism and racial discrimination and has reinforced its words with an economic boycott of the Union of South Africa. Even though efforts to have the UN condemn apartheid and the treatment of Indians in the Union of South Africa have failed, India has kept these issues alive from session to session and has furnished the investigating committees with data.

An India-African Council was formed in Bombay in 1953 with official Indian funds to sponsor study by Africans in India and to conduct propaganda in Africa. Many scholarships and free trips to India have been given to African students and politicians, including those from areas in which there are few Indians.

25X1  
[REDACTED]

Several of the Indian commissioners sent to African posts have been very active politically and have interfered in local situations. The commissioner recently recalled from Nairobi was anti-British, was loudly critical of the Kenya government, and widely suspected of financing African subversive movements. In South Africa, the commissioner's office is known to have financed and provided leadership for local antigovernment organizations. In Mauritius, the newly appointed commissioner is expected to improve the political organization of the local Indians, and will probably continue anti-British activity.

Increased Indian political attention to other African areas, where there are few Indians, is foreshadowed by a recent expansion of Indian diplomatic service to include an embassy in Ethiopia, a commissioner in the Gold Coast, a consulate general in Madagascar, and a high commissioner to the Federation of Rhodesia and Nyasaland.

The near stranglehold Indians have over small retail trade and middleman activities has long frustrated Africans, and the resultant dislike could easily jeopardize the Indians' position if the Africans received political power. Friction in daily living between the two peoples is almost inevitable and liable at any time to erupt into violence such as the Durban riots of 1949, when over 100 persons were killed.

Despite the current co-operation between African and Indian leaders and the latter's professions of sympathy for African nationalism, the Africans' basic dislike of the local Indian is likely to continue as a stumbling block to effective partnership.

**CONFIDENTIAL**

~~SECRET~~