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# CURRENT INTELLIGENCE WEEKLY



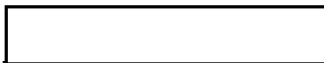
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**SECRET****1954 HARVEST PROSPECTS IN THE SOVIET ORBIT . . . . . Page 16**

The Orbit will probably be unsuccessful in its efforts to achieve an increase in agricultural output during 1954. Harvest prospects for the major crops in the USSR and the European Satellites vary from somewhat below to about the same as 1953, a relatively poor year. In China, the summer floods probably will reduce total food output about 9 percent below last year's level, probably causing famine in some areas.

**SPECIAL ARTICLE. COMMUNIST STRATEGY FOR THE FAR EAST . Page 18**

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## THE SOVIET WORLD

The Soviet Orbit last week concentrated a barrage of promises and threats on France, which besides the immediate aim of influencing the assembly debate on EDC, had the longer-range purpose of cultivating French opposition to German rearmament in any form. A major Pravda article reiterated Soviet opposition to any form of German remilitarization, either within EDC or outside of it. Pravda said that such a step aggravating international tension would be incompatible with a solution of the disarmament question, and hinted that further disarmament talks would be fruitful if tension were lessened.

Pravda was reflecting a statement made privately by Soviet ambassador Vinogradov to Premier Mendes-France on 26 August that Moscow now felt there was a large measure of agreement between the Soviet and French positions on disarmament, as developed in the UN disarmament subcommission in June. This approach was obviously aimed at those French politicians who see the prospect of disarmament talks as the best excuse for postponing German rearmament. It probably does not indicate willingness on the part of the USSR to modify its rigid opposition to the British-French disarmament plan proposed in London in June.

The Polish note to France on 25 August, proposing a treaty of friendship and mutual assistance, climaxed the Satellite campaign of the last few weeks to improve relations with France. Despite the cool reaction of the French government, it seems possible that other Satellites might follow up this blunt Polish proposal for an alliance against Germany with similar offers. This new tactic, supplementary to the Molotov all-European security plan, would offer France an alternative to German rearmament. It would ostensibly revive the prewar system of alliances, but would, in fact, orient Paris toward Moscow.

Moscow's exploitation of the defection of Karl Schmidt-Wittmack, former Christian Democratic member of the Bundestag, and the suggestion by the local Communist Party that it had made high-level penetrations of the West German criminal police were probably designed to destroy public confidence in the Bonn government during the present foreign policy crisis.

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Inside the USSR, the Soviet leaders have over the past three months shown a new concern with the problem of crime. Besides reinstating in May--after a lapse of 300 years--capital punishment for "premeditated murder," the regime has shown a new willingness to publicize murder, rape, and other crimes of violence, along with the sentences meted out to the guilty parties.

This is a direct and striking reversal of previous practice. The Soviet government had, in the past, always regarded nonpolitical crime as far less serious than political offenses, and in its official pronouncements had gone so far as to claim that since capitalism, the basis of crime, had been erased in the Soviet Union, only minor crime remained as a vanishing holdover of the capitalist era. In addition, it had proudly declared that the Soviet press was free of the salacious content of Western newspapers, where articles about murder and rape reflected the decadence of the capitalist system.

Since the announcement of last May, however, many reports of the application of the new death penalty have appeared in the press. Longer sentences are now being given in Soviet courts, and maximum terms go to criminals rearrested after their release under the amnesty of April 1953.

In conjunction with demands that criminals get their just deserts, the police and the courts are adjured to protect the inviolable rights of decent Soviet citizens. This theme of protection by Soviet law is contained in speeches, articles and short stories, each stressing "socialist legality." They emphasize that Soviet leaders are now as much concerned with suppressing crime against the individual as they have always been with crimes directed against the state.

It appears, then, that the regime has decided to mete out and publicize stiffer punishments in order to allay public concern over the problem of major crime made sharper by the release into society of large numbers of criminals under the amnesty, and to deter a further increase in crime. This decision probably springs from a recognition on the part of the leaders that the refusal to admit the existence of crime was no answer to a growing problem.

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**SECRET****BRITISH POLICY IN THE MIDDLE EAST FOLLOWING  
THE SUEZ AND IRANIAN SETTLEMENTS**

The preliminary agreements on the future of the Suez base and operation of the Iranian oil industry will give Britain greater leeway in developing its military and economic policies in the Middle East, and in attempting to regain its prestige there. Britain and the United States agree on basic objectives in the area, but co-operation is being hampered by continued disagreement on the nature of a Middle Eastern defense system and by growing economic rivalry.

After withdrawing from India in 1947, Britain suffered a series of attacks on its predominant position in the Middle East, culminating in 1951 with Egypt's abrogation of its treaty with the United Kingdom and Iran's nationalization of the Anglo-Iranian Oil Company's holdings. As a result, Britain's postwar policy in the area has been devoted largely to seeking the settlement of specific disputes and trying to maintain its prestige.

Despite these assaults and the change in Britain's strategic capabilities and requirements resulting from India's independence, the United Kingdom's strategic interest in the Middle East remains subordinate only to its interest in defending the home islands and Western Europe.

**The Suez Settlement and Current British Plans**

The final Suez agreement will formally mark the end of British political dominance in Egypt. Moreover, London gained neither of the major military objectives it had been seeking since 1946, namely, continued British operation of the base and an Egyptian commitment to co-operate with Western plans for Middle East defense.

Britain's acceptance of the reduced importance of the Suez base also reflects a reassessment of its global strategy and capabilities. The build-up of a strategic reserve in the United Kingdom prevented by extensive troop commitments in Suez and elsewhere has come to seem more important than previously. London has also acknowledged the undesirability of maintaining garrisons in the face of local hostility. Troops in the Canal zone will be relocated mainly in Britain itself, with some going to Cyprus, Libya, and Malta (see map, p. 10). Storage depots for the vast amounts of materiel still at Suez are yet to be found.

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### British Views on Middle Eastern Defense Plans

The British believe that if the Middle East is to be defended successfully, it must be defended along its frontiers with the Soviet Union. They do not feel, however, that the nations of the "northern tier" are capable of this defense on their own, and they regard the Turkish-Pakistani pact primarily as window dressing for American military aid to Pakistan.

The British argue that the "northern tier" concept cannot be a practical basis for a defense system without Iran, and that Iran can probably never be strong enough to make a significant military contribution to any such arrangement.

Beginning with the Middle East Command plan proposed in 1951, the British plans for defense of the area have involved sharing responsibilities with both the United States and the Middle Eastern nations. Britain still maintains, however, that even with its reduced capabilities it should play the leading role in defense plans.

In all the planning for Middle Eastern defense, the British have insisted that Western forces must participate. Primarily for this reason Foreign Secretary Eden is "most interested" in the proposal of Iraqi prime minister Nuri Said that the Arab League Collective Security Pact be modified and expanded to include non-Arab members. Eden feels that one of the greatest advantages of this plan is that it represents indigenous rather than Western initiative.

Britain's interest in direct participation is heightened by its treaty commitments to Iraq and Jordan. Although the Anglo-Iraqi treaty does not expire until 1957, there is rising hostility in Iraq to the continued presence of foreign troops. On the other hand, Jordan's fear of Israeli aggression makes it receptive to the stationing of British troops. Only small additions to these forces have been made, but the Jordanian government wants the British garrison strengthened.

### Immediate Impact of the Iranian Oil Settlement

Following Iran's nationalization of the holdings of the Anglo-Iranian Oil Company (AIOC), which were the largest

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single British asset in the Middle East, most of the other British financial and commercial enterprises were forced to withdraw from the country. The former basis for British economic activity in Iran has been destroyed, and British efforts will now be directed toward establishing a new kind of basis.

The preliminary agreement on the future operation of the oil industry provides that AIOC shall receive 25,000,000 pounds sterling (\$70,000,000) for its assets in Iran, that the other consortium partners pay \$600,000,000 for the right to participate, and that AIOC receive 40 percent of the consortium's share of future profits.

The oil agreement stipulates that oil revenues shall be paid in sterling. Although Iran will be permitted to convert a large portion of this income into dollars, it has agreed with Britain to do this only to buy goods not obtainable from sterling sources. The British admit that they cannot force Iran to abide by this commitment, but they have gained a powerful economic lever.

London gains another advantage through the arrangement: the consortium's purchasing organization will be located in the United Kingdom and is to buy British goods whenever possible.

#### Anglo-American Economic Differences

British firms, backed by the embassy in Tehran, are making a concerted drive in Iran to sell British goods such as railroad equipment and farm tractors on liberal credit terms. Iran has already purchased 100,000 tons of steel rails and more than \$2,000,000 worth of locomotives.

These efforts foreshadow friction with American plans for Iran's economic recovery. American officials in Iran hold that liberal credit offers by the British encourage the Iranian government to use its meager financial resources unwisely. The British government fears that increased American aid could result in discrimination against private British commercial interests.

The British government plans to extend Iran 5,000,000 pounds (\$14,000,000) in credit, presumably for sterling area purchases. In connection with this offer, the British ambassador in Tehran has inquired about Washington's plans, suggesting that they be "co-ordinated" with London.

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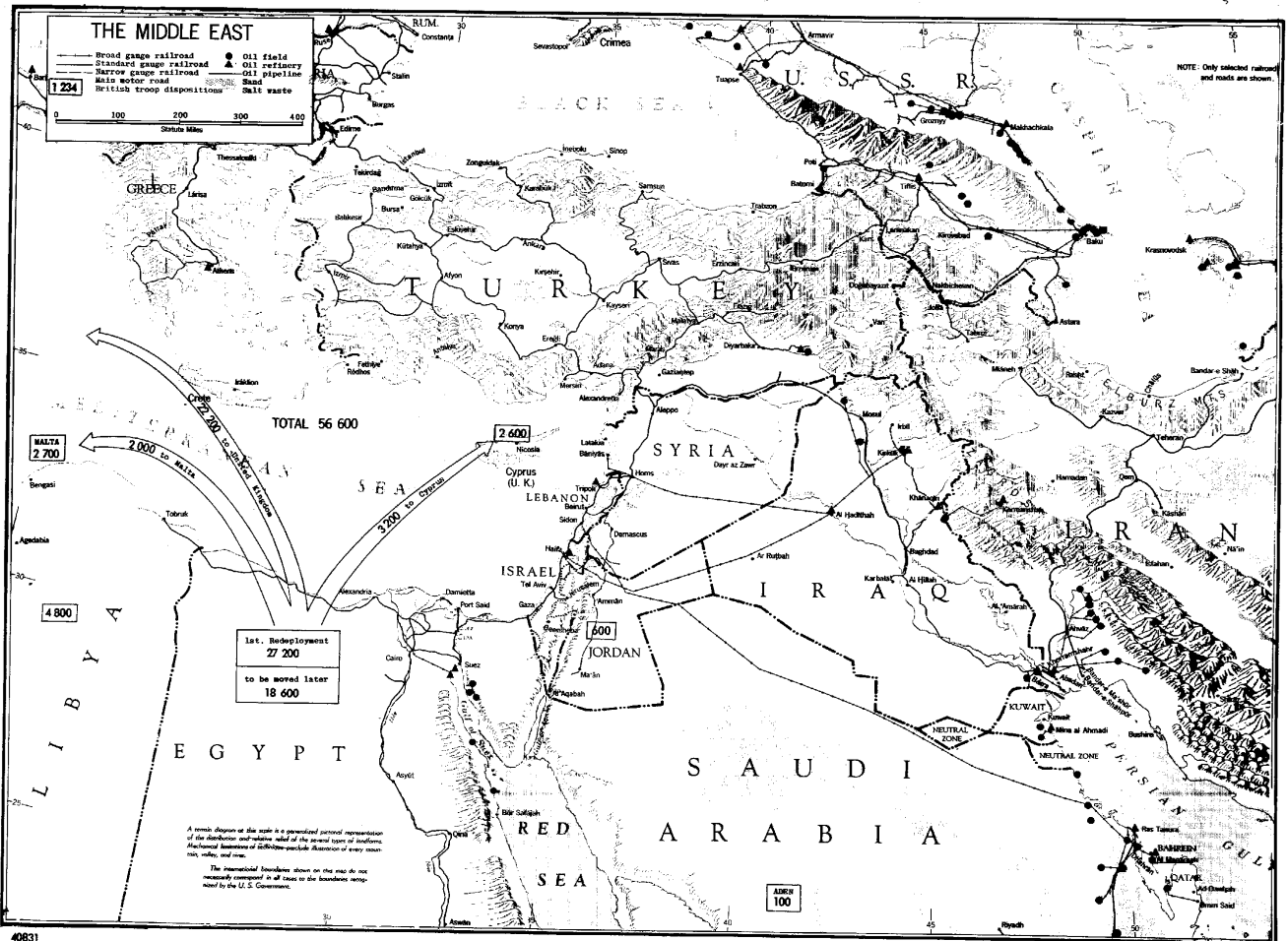
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Britain recognizes that economic aid is essential, not only for Iran but for other Middle Eastern countries such as Egypt, and that it cannot make a large contribution to such a program. Primarily for reasons of prestige, the British want aid programs to be presented as joint efforts, not as separate ones emphasizing the size of the American contribution.

Ambassador Henderson has commented that "strengthened commercial relations are vitally important in ensuring continued United States influence to achieve American objectives" in Iran. Commercial rivalry could add a new dimension to Anglo-American differences throughout the area.

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**SECRET****THE ARAB WORLD AFTER SUEZ**

The Suez settlement represents real progress in the Middle East but also releases traditional rivalries and new tensions. There will probably be no early improvement in Arab-Israeli relations, and the Arabs are still unwilling to co-operate with Western defense planners except on their own terms.

The signing of the Anglo-Egyptian agreement on the principles covering the withdrawal of British troops from the Suez Canal zone brought Egypt a flood of congratulatory telegrams from prominent Arab leaders. Most Egyptian, Iraqi and Lebanese newspapers viewed the settlement as an Arab victory. They saw it as offering new hope for the solution of other problems and as inaugurating a new era in relations with the West.

The rejoicing, however, was not unanimous. Leftist groups, especially in Iraq, denounced the accord. In Egypt, the powerful Moslem Brotherhood criticized it for permitting any British return to the canal zone and also argued that the agreement should be submitted to a parliament, which Egypt does not have at present. Syrian newspapers claimed that British occupation would actually continue as long as British technicians in mufti remained. Of 15 Lebanese dailies, three were noncommittal and three sharply critical--alleging that British domination persisted and that Egypt had been yoked to the West.

Subsequent reaction shows that the Arabs are only slowly adjusting to Egypt's reassertion of leadership of the Arab League, which was badly split in the past two years by Egypt's insistence that the Arab world support it fully and take no action on Western defense proposals. In recent months, it had appeared as if Iraq might act unilaterally and join the Turkish-Pakistani pact. At the same time, Baghdad seemed to be promoting an Iraqi-Syrian-Lebanese bloc in opposition to Egypt. Responsible Iraqis doubt that Egypt will take a more liberal attitude toward the other Arab states. Lebanese officials are uncertain as to the direction of current Egyptian policy.

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This return to the normal pattern of Arab politics also fore-shadows the continuation of Arab hostility to Israel. During the Suez negotiations, Egypt frequently hinted at better things to come on the Palestine issue if a settlement were reached. Now, possibly restrained by evidence of considerable unfavorable internal reaction to the settlement, Egypt apparently will proceed cautiously, and its partner, Saudi Arabia, will strongly oppose any lessening of hostility toward Israel.

Iraq would probably consider any Egyptian move toward reconciliation with Israel as defection from the Arab cause. Syrians are in no mood for peace, and the Jordanians want Egypt to take the lead in developing a stronger policy against Israel. Only Lebanon, which is ineffective in Arab politics, hopes for an improvement in relations. In any event, before Egypt could move toward reconciliation, it would need Israeli concessions which do not appear to be in the making.

On Middle East defense, the Arab world is demonstrating more willingness to consider co-operation with the West than in the past, but it is still unable to escape from its fixation on the Arab League Collective Security Pact as the basis for co-operation.

Reports on this proposal are conflicting. Prime Minister Nasr stated on 30 August that the Arabs will reject formal military partnership with the West as "colonialism" in disguise. Even Iraq is not enthusiastic over the approach and may hope that the non-Arab powers will reject the plan, thereby freeing it to join the Turkish-Pakistani pact or to push its own idea of a bilateral arrangement with Pakistan with provision for Arab and Western adherence.

The Suez settlement represents real progress in the Middle East, but, as Ambassador Hare in Beirut cautioned, one "can't squeeze more juice out of the agreement than it actually contains."

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**SECRET****JAPAN VULNERABLE TO CHINESE COMMUNIST PEACE OFFENSIVE**

The prestige Communist China gained at the Geneva conference and the peace atmosphere created by the Indochina settlement have made Japan increasingly vulnerable to a Peiping offensive. Although the Communists may make some dramatic overture to the Japanese government, it is more likely that they will step up unofficial Chinese Communist maneuvers aimed at the Japanese people.

The Indochina cease-fire in late July gave fresh impetus to the already strong popular enthusiasm for working relations with mainland China. The press at that time emphasized that a revision of Japan's foreign policy was essential in the light of the new international situation, and it gave currency to rumors that the Foreign Ministry favored accommodations with the Communist bloc. Conservative leaders inside and outside the government felt obliged to acknowledge the need for a "new approach" and called for increased trade with Communist China and less dependence on the United States.

Strong neutralist sentiment in Japan is behind the popular interest in "peaceful coexistence" with the Communists. Prime Minister Yoshida's government and Liberal Party leaders, bowing to increasing criticism of their "pro-American policies," apparently hope to gain political benefits by displaying friendliness toward Peiping.

The government on 3 August for the first time officially granted permission for Chinese Communist representatives--in this case a Red Cross mission--to visit Japan. This phase of Japan's response to China's new international status culminated in the statement by new Liberal Party secretary general Hayato Ikeda on 9 August--a statement he later denied making--that American foreign policy on China had failed and Japan should follow the British line in the Far East.

British labor leader Aneurin Bevan's visit in early September may strengthen this view, but government leaders realize that Japan's dependence on the United States makes any early radical change in orientation unwise. Japan's continued alignment with the West is further confirmed by the fact that it is willing to risk Peiping's displeasure by recognizing Vietnam. Furthermore, Ikeda, following unfavorable reaction to his reported policy statement, assured American ambassador Allison that co-operation with the United States was basic to Japanese policy.

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Peiping's announcement on 19 August of the release of 417 Japanese war criminals produced a dramatic reaction in Japan and revealed the great potential for arousing popular pressure for a rapprochement with Communist China. The forthcoming visit of the Chinese Red Cross mission undoubtedly will provide an opportunity for peace gestures designed to exploit a friendly sentiment toward the mainland.

This potential for popular pressure suggests a serious vulnerability, because of the Japanese leaders' desire to stay in power, their belief that they can deal advantageously with Peiping, and their resentment over American policies. Such popular pressure might develop, for example, from a Chinese Communist offer of a peace treaty or even from intensified "people's diplomacy." This might well cause a serious move toward neutralism in Japan and hard opportunistic bargaining with both the free and Communist worlds.

Peiping could best exploit Japanese sentiment--in the government and among the people--by offering Japan a favorable peace treaty, establishing diplomatic relations and perhaps bidding for a nonaggression pact. Peiping has thus far insisted that the "major obstacle" to normal relations is Japan's association with American policies toward both Communist China and Formosa.

Although Peiping may make a sudden dramatic overture to the Japanese government in the near future, the Communists seem still to be waiting for good evidence of a change in Tokyo's basic views. Peiping is likely to increase its efforts to promote economic and "cultural" contacts below the governmental level--for example, by stepping up the tempo of visits of Chinese Communist front groups to Japan and of Japanese businessmen and Diet members to China.

The Japan Communist Party's program has been--and is expected increasingly to be--designed to support the Chinese Communists' popular maneuvers. While the party in orthodox fashion looks toward eventual armed struggle, its activity is directed mainly toward exploiting popular feeling against rearmament, the Yoshida government, and the United States, and at encouraging popular support for closer relations with the Orbit.

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**SECRET****THE OUTLOOK FOR THE CAFÉ FILHO GOVERNMENT IN BRAZIL**

The essentially nonpolitical cabinet chosen by Brazil's new president, Joao Café Filho, faces not only serious economic difficulties, but also the likelihood of continued harassment from both Communist and pro-Vargas elements exploiting the economic nationalism of the late president's farewell letter. While the government appears to be in no immediate danger, the situation will remain confused until after the congressional and state elections on 3 October.

Finance Minister Eugenio Gudim, a conservative economist of international repute, will almost certainly meet opposition from important business and labor groups when he pushes his program to curb inflation, conserve foreign exchange, and encourage foreign investment.

Vargas' farewell letter strongly implied that American financial interests were among the "vultures" pressing for an end to his protection of the working man. While the entire new cabinet, including the experienced, pro-American foreign minister, Raoul Fernandes, can be expected to resist anti-American pressures, politically important forces have already begun to capitalize on the letter.

Vargas' Labor Party, which now controls 20 percent of the badly splintered legislature, has denounced the new government. The party, now under the exclusive control of Vargas' Communist-oriented former labor minister, Joao Goulart, can be expected to step up its campaign assertions that foreign capitalists and not Brazil's growing pains are responsible for the country's economic ills. The Communist Party which, though outlawed, doubled its size to an estimated 110,000 in the past two years and hopes for political gains in the October elections, has ceased its previous criticism of Vargas and has used his "martyrdom" to incite attacks on American installations. It reportedly plans a series of strikes and further riots.

The major stabilizing forces appear to be the powerful air minister, General Eduardo Gomes, and the president himself, who has cultivated a reputation as friend of the "little man." Gomes heads the country's second biggest party and was largely responsible for Vargas' ouster. These men, together with Conservative army leaders who have already started purging pro-Communist officers, are believed capable of keeping the situation in hand for the present.

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## 1954 HARVEST PROSPECTS IN THE SOVIET ORBIT\*

The Orbit will probably be unsuccessful in its present efforts to achieve an increase in agricultural output. The present outlook is that the total harvest of the USSR and East European Satellites will be no larger than that of 1953, a relatively poor year. In China, the second-worst floods of the century may reduce total food output 8 to 9 percent below last year's level. This will probably cause famine in some areas of China, and may result in failure to fulfill Five-Year Plan goals for industry as well as agriculture.

Faced with expanding domestic agricultural requirements unmatched by increases in production, the USSR and the Satellites will probably continue the shift of their exports to the West from the traditional agricultural goods to such commodities as petroleum, manganese, chrome, precious metals and manufactured goods. The inability to resume exports of foodstuffs to Western Europe may be expected to hinder a permanent large-scale expansion of trade with that area.

Prospects for the yields of major crops in the USSR vary from somewhat below to about the same as 1953. Even this year had been below the 1935-1939 average. According to preliminary estimates, the Soviet grain harvest will be about equal to last year's, which was the lowest since 1949. The below-normal crop yields expected in the western USSR should be just about offset by the successful expansion of output on the "new" and reclaimed lands of Kazakhstan and Siberia.

The Ukrainian grain crop has suffered from a major summer drought, climaxing a poor 12-month period. Agricultural officers of the American embassy in Moscow estimate that Ukrainian crop yields will not exceed two thirds of average. In the Lower Don-North Caucasus and in the central European USSR areas, the prospective grain yields are believed to be about the same as last year. Growing conditions have been generally good in western Siberia and northern Kazakhstan, the regions most affected by the program for the expansion of grain acreage initiated this year.

In order to maintain grain consumption at last year's level the regime will have to release significant quantities of grain from reserves. The new agricultural program will probably be continued at full throttle to reduce the dissatisfaction of the population over not receiving more food, especially quality foods such as livestock products. Evidence of this is already available in the recent expansion of the "new lands" program.

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For the European Satellites, this year is the third of the past six that crop yields have been under the low postwar average. The 1954 harvests of bread grains, oats, barley, early vegetables, and fruit will probably be less than 1953. Warmer weather during the latter part of August and September is needed to raise yields of corn, root crops, late vegetables, and oil seeds over 1953 levels.

Drought last fall, the lack of winter snow cover, a late spring, and heavy rains in early July adversely affected agricultural output. An expected shortfall in harvest of the major crops will cause failure in the first year of the program to raise agricultural production. This failure will result in shortages of meat, animal fats, and possibly bread for most areas during the spring of 1955, and possible further food rationing in the Satellites. As a whole, the Satellites will again be net importers of food.

In China, severe floods probably will cause agricultural output to be below normal. From 6,000,000 to 8,000,000 hectares have been flooded in the Yangtze River Basin and 2,000,000 hectares in the Huai River Basin, resulting in a loss of 12,000,000 to 15,000,000 metric tons of food crops. This loss, however, is partially offset by a good winter crop. In addition, the crop prospects for the upper North China plain and Manchuria appear better than in 1953. Thus the net food production in 1954 will probably be 9,000,000 to 12,000,000 metric tons (8 to 9 percent) below 1953.

The springs of 1953 and 1954 witnessed localized famines in various areas of China. The problem of famine is almost certain to recur and will probably be at its worst in the spring of 1955. This will be an especially acute problem as the flood areas are normally surplus food areas.

The Chinese goal of building a strategic emergency reserve of 16,000,000 to 20,000,000 tons of grain by 1957 is one more year nearer failure. Any curtailment of exports or any imports to assist in feeding the population will increase payments problems for industrial goods imports.

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**SECRET**SPECIAL ARTICLE

## COMMUNIST STRATEGY FOR THE FAR EAST\*

With the ending of the "hot war" in Indochina, Communist policy in the Far East is expected to give new emphasis to political tactics aimed at dividing the non-Communist world and expanding the bloc's power in Asia. The Communists' immediate objective is to prevent the West from organizing a broad Asian defense system.

The Strategy Before the Geneva Conference

Since 1951, and particularly in the post-Stalin period, the major objective of Soviet global strategy has been to isolate the United States, disrupt the Western alliance and create dissension throughout the non-Communist world. In relation to these long-range objectives, Communist leaders evidently became increasingly aware of the fact that their post-1945 program of "armed struggle" tactics, particularly as manifested in the Korean and Indochina conflicts, was at variance with the needs and objectives of their global strategy. Moreover, for some time, other "liberation" movements in the Far East had been suffering reverses.

The wars in Korea and Indochina were the two outstanding issues which provoked Western defense efforts and threatened to make a mockery of the "peace offensive." Soviet policy in Europe, designed to produce schisms and paralysis in France and to split Britain from the United States, demanded that an end be brought to these conflicts. There are indications that the USSR considered France the weakest link in the Atlantic Alliance and felt that a policy of restraint and conciliation was called for if French fears of German rearmament and French neutralist-pacifist sentiment were to be exploited.

Communist leaders apparently also feared that any further military advances in Indochina, particularly in Laos and Cambodia, would have alienated non-Communist Asian opinion on which they were relying to defeat Western defense plans in



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Southeast Asia and might have led to a strong anti-Communist alliance including some of the hitherto uncommitted Asian states. Finally, with the example of Korea before them, the Communists could not ignore the possibility that a continued offensive in Indochina would greatly increase the risk of American intervention and a global war. In agreeing to a compromise settlement at Geneva, they were probably guided by the assumption that final victory in Indochina could safely be postponed for the furtherance of their wider strategic objectives.

### The Strategy Since Geneva

The Indochina settlement thus appears to have created a favorable atmosphere for a new stage in the Communist program for the Far East. The principal aims of this program will be to isolate the United States from as many non-Communist Asian states as possible, to improve Moscow's and Peiping's diplomatic, economic and cultural relations with these states, and to take advantage of local Communist Party capabilities without prejudice to global strategy and domestic programs.

Taking advantage of the psychological momentum gained at Geneva, the Communists have moved quickly to demonstrate their peacefulness and reasonableness toward Asian states. Communist propaganda has stressed the theme of Asian solidarity and hailed "the new relationship" being formed between Asian powers. Moscow and Peiping have made a number of conciliatory gestures toward the Colombo powers and Japan, and Communist spokesmen have referred to the need for improving relations through "mutual obligations" assumed by Asian states. Specifically, Moscow has been supporting Peiping's suggestion that these relations should develop along the lines of Chou En-lai's "five principles" embodied in the Sino-Indian agreement on Tibet for friendly relations between Asian states: respect for territorial integrity, nonaggression, noninterference, equality and mutual benefit and peaceful coexistence.

In attempting to undermine preparations for an anti-Communist defense system in Southeast Asia, Moscow and Peiping have emphasized that Asian states should work out their own system of collective security and have no need to participate in the "aggressive" pact sponsored by the United States. Chou En-lai has informed Indian, Pakistani, Indonesian and Burmese leaders that their security can be guaranteed by his "five principles." At the same time, Communist propaganda has been insisting that the Geneva agreements bar all three Indochina states from any military alliance, and Peiping has been denouncing Thai and Philippine co-operation with the United States.

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**SECRET**Future Strategy

The situation seems ripe for a dramatic Communist offer to negotiate an all-Asian nonaggression pact. However, since only Pakistan, Thailand and the Philippines have indicated willingness to join the Western-sponsored defense system for Southeast Asia, Moscow and Peiping may feel that it is unnecessary to make such an offer. Communist leaders may believe that a series of bilateral pacts along the lines of Chou's "five principles" would serve their objective of frustrating Western efforts to build an effective defense system for the area and at the same time give them greater maneuverability with individual governments.

The attempt to extend Communist influence will probably be supported by an increase in Peiping's provocative actions regarding Formosa and the offshore islands, and by threats toward other non-Communist governments of the region, with the immediate purpose of preventing them from establishing closer ties with the West. In addition, the local Communist movements possess substantial capability for internal subversion in south Vietnam and Laos and have recently indicated their intention to seek further gains by political action in Indochina, Thailand and Burma.

Relations Between Moscow and Peiping

In the post-Geneva atmosphere Soviet diplomacy and propaganda have given great emphasis to Peiping's claim to great-power status in world affairs. Both parties have suggested that there will be an increase in diplomatic approaches, with Peiping exploiting the "Asia for the Asians" theme.

Soviet spokesmen have also given increased publicity to Peiping's role as a friend and model for other Asian "liberation" movements. In both Korea and Indochina, the Chinese have an expanded role because of the large-scale support they have given the local Communist forces. Elsewhere in the Far East, the Chinese control the Communist organization in Thailand and have considerable influence with the Burmese, Philippine, Malayan and Indonesian Communist movements.

In the long run, China's increased stature along all these lines may prove incompatible with Moscow's long-range interests in the area, and the Kremlin may oppose any further expansion of Peiping's influence. [REDACTED]

[REDACTED] Moscow has also taken steps to maintain its own influence in Asia.

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In general, however, Moscow and Peiping are expected to present a solid front to the West in regard to their respective roles in the Far Eastern program. The USSR is expected to persist in its demand that Communist China assume its "rightful place" in all international deliberations and will almost certainly exploit the issues of China's seat in the UN and the status of Formosa as devices to widen divergencies in the non-Communist world.

Peiping, for its part, will undoubtedly continue to acknowledge Moscow as the leader of the world Communist movement. The Chinese probably will also continue, at least publicly, to defer to Soviet primacy with the "liberation" movements, even though Peiping's leading role in the execution of the Far Eastern program will add to Chinese capabilities for eventually challenging this Soviet position.

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