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CURRENT INTELLIGENCE WEEKLY SUMMARY



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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

T H E W E E K I N B R I E F

PART I

OF IMMEDIATE INTEREST

MOLOVOT'S PREPARATIONS
FOR SAN FRANCISCO Page 1

Soviet foreign minister Molotov may be planning to hold preliminary discussions at the San Francisco UN session of some of the issues to be taken up at the "summit conference." [redacted]

POSSIBLE SOVIET MOVES
IN THE SATELLITES Page 1

Recent Soviet moves, particularly Moscow's public acceptance of Yugoslav Communism and the agreement to withdraw troops from Austria, have raised considerable speculation both among the Satellite populations and among Western observers over the possibility of imminent changes in Soviet-Satellite relations. [redacted]

SOVIET-JAPANESE RELATIONS Page 2

Following the 7 June meeting between the Japanese and Soviet negotiators in London, chief Japanese negotiator Matsumoto hinted that an important development was responsible for the postponement of the next meeting until 14 June. According to the Japanese UN delegate in New York, however, Soviet negotiator Malik made clear that the Soviet Union was in no hurry to conclude the negotiations. [redacted]

SOVIET INVITATION TO ADENAUER Page 3

By inviting Chancellor Adenauer to visit Moscow, the USSR hopes to persuade West Germans that fruitful negotiations on unification are possible. Domestic political necessities impelled Bonn to accept. [redacted]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

PART II

NOTES AND COMMENTS

Summit Conference Developments: The Belgrade talks have provided some clues as to the priority the USSR may give to agenda items and the stand it will take on Germany at the "summit conference." Soviet officials have been hinting to Norwegian officials that a neutral belt might involve neutralization of some of the Satellites. [redacted] Page 1

25X1

Soviet-Yugoslav Talks: The Yugoslavs have treated the Soviet-Yugoslav declaration primarily as an important statement of international policy and not of ideology. The conference seems to have reinforced the Yugoslavs' belief that Soviet policy, both internal and foreign, is undergoing a slow but real change under Stalin's successors. [redacted] . Page 2

25X1

Khrushchev's Primacy Evident at Belgrade: It became clear during the visit of the Soviet delegation to Belgrade and to the Satellites that Secretary Khrushchev is the most influential leader of the Soviet hierarchy. Khrushchev's primacy over Bulganin may cause difficulties at the Big Four talks planned for next month, since Khrushchev, not being the head of the government, is not expected to attend. [redacted] Page 3

25X1

Satellite Reactions to Belgrade Talks: The reversal in Soviet policy toward Tito, less than a month after the USSR agreed to withdraw from Austria, has raised hopes among the Satellite populations for a loosening of Communist controls. There are indications that Khrushchev's visit is causing increased confusion and uneasiness in the Eastern European Communist parties, particularly in Hungary. [redacted] Page 4

25X1

Effect of Belgrade Talks on Western Communist Parties: The Soviet Yugoslav conversations produced initial confusion in the Communist Party of Italy and a dramatic denunciation of Khrushchev's explanation for the break by the head of the "pro-Cominform" Communist Party of Trieste. The French Communist Party, a participant in the 1948 Cominform decision to condemn Tito, has not yet taken a public position on the Belgrade discussions. [redacted] Page 5

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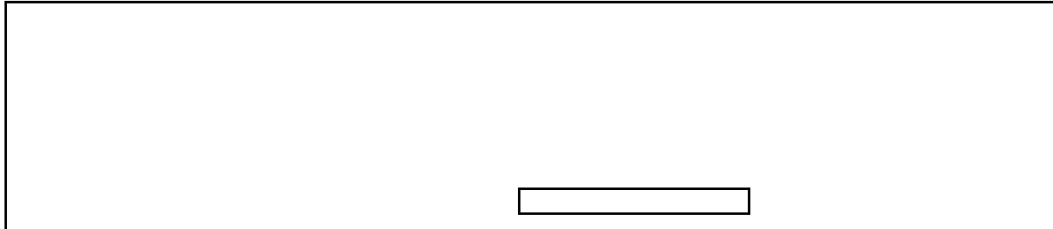
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CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

Berlin Truck Toll Problem Remains Unresolved: The problem of the exorbitant truck tolls imposed by East Germany was little closer to solution after a second meeting of transport experts of East and West Germany on 4 June. Not only did the negotiators fail to reach a decision on this problem, but the East Germans introduced a demand that the problem of freight confiscations be discussed by the transport ministers. [redacted] Page 6

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South Vietnam: Besides the problem of defeating the rebellious Hoa Hao forces, the most pressing problem facing the Diem government is the question of consultations in July with the Viet Minh to discuss the 1956 all-Vietnam elections provided for at Geneva. Diem argues that his government is not bound by the Geneva agreements as it was not a signatory to them. [redacted] Page 9

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Cambodia: In recent weeks, a marked deterioration has been noted in Cambodia's internal security situation. Small roving outlaw bands, reinforced by military deserters, are terrorizing provinces north and west of Phnom Penh. Provincial officials have proved lax in meeting the security problem, and the government itself has only lately acknowledged the threat. [redacted] Page 10

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Nehru's Visit to the USSR: Indian prime minister Nehru's good-will visit to the USSR and the Satellites is complementary to his visit to Peiping last October. Soviet efforts to play on Nehru's susceptibility to flattery will probably succeed, but not to the extent of causing any change in India's policy. [redacted] Page 11

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Afghan-Pakistani Situation: The basic issues between Pakistan and Afghanistan remain unresolved. Meanwhile, Saudi Arabian efforts at mediation have apparently led to agreement for a hoisting of the Pakistani flag in Kabul. A five-nation commission is to investigate the attack on the Afghan consulate in Peshawar. [redacted] Page 12

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CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

Syria: The forthcoming visit to the United States of Syrian foreign minister Khalid al Azm is likely to delay further negotiation of the Egyptian-Saudi Arabian-Syrian defense pact. [redacted] Page 12

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Israel-Egyptian Border Tension: Tension between Israel and Egypt in the Gaza area has not been eased despite efforts of UN truce chief General Burns and representations in Tel Aviv and Cairo by American, British and French diplomats. [redacted] Page 13

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French North Africa: The situation remains tense in Algeria and Morocco. Nearly 10,000 French army reserves have been called to active duty in Algeria, where more than 100,000 troops are now assigned but where guerrilla ambushes continue unabated. The upsurge of terrorism which occurred in Morocco in late May at the end of Ramadan has not lessened. [redacted] Page 14

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French Military Withdrawals Weaken NATO Defense: France's determination to preserve its position in North Africa has resulted in a weakening of French participation in NATO. [redacted] Page 15

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USSR Trying to Encourage Neutralism in Italy: Communist commentary suggests that Moscow hopes to interest Italy in neutralism and is attempting to arouse opposition to the possible transfer of American troops from Austria to Italy. [redacted] Page 16

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Sicilian Election Results: The outcome of the Sicilian regional elections on 5 June has increased the prospects for early changes in the Italian cabinet. Premier Scelba is expected to announce a cabinet reshuffle or even his resignation during the parliamentary debate scheduled to begin on 14 June. Any new government would probably be built on an all-Christian Democratic Union cabinet. [redacted] . Page 16

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PART III

PATTERNS AND PERSPECTIVES

THE SIGNATURE CAMPAIGN OF THE WORLD PEACE COUNCIL Page 1

The world-wide signature campaign to ban nuclear weapons sponsored by the Communist-dominated World Peace Council (WPC) is to culminate in a World Peace Congress scheduled to begin in Helsinki on 22 June. Although the current "Vienna Appeal" has attracted more adherents than its 1950 predecessor, the "Stockholm Appeal," the drive is not meeting with the same enthusiasm. Soviet foreign policy changes have confused the campaign. [redacted]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

PEIPING'S EFFORT TO WIN OVERSEAS CHINESE MAKING HEADWAY . Page 4

The Chinese Communist regime is continuing an intensive and many-sided campaign to extend its influence among the Overseas Chinese, particularly the youth. The campaign has achieved considerable success and will continue to do so as Peiping gains further prestige. [redacted]

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AUSTRIA AND THE DANUBE. Page 7

Once the new Austrian state treaty has been ratified, renewed efforts can be expected on the part of Austria to regain its prewar position as the major shipping power along the entire Danube River. The Austrians have had some success in this direction since 1953, and success in further efforts would of necessity involve closer ties with the Soviet bloc. [redacted]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

PART I

OF IMMEDIATE INTEREST

MOLOTOV'S PREPARATIONS
FOR SAN FRANCISCO

Soviet foreign minister Molotov may be planning to hold a preliminary discussion at the San Francisco UN session of some of the items to be taken up at the "summit conference."

Although the USSR has said that the agenda for the top-level talks should be left open, the Soviet leaders, especially Premier Bulganin, who has not previously participated in great-power discussions, may want to plan the scope of the conference and discuss some substantive issues at San Francisco.

There have been a number of indications that Molotov, supported by an entourage of 45 persons, plans to use the San Francisco session to make some important foreign policy moves.

The Soviet press has quoted an article in the French press which stated that the meetings

at San Francisco could help to dispel misunderstandings that have arisen over the summit talks.

The Soviet delegation is unlikely to pass up this opportunity to reiterate at San Francisco that full membership of Communist China in the UN is necessary for realistic approaches to world problems. Molotov may make an outright demand for Communist China's participation at some stage in the great-power talks.

In view of the Austrian treaty and the current talks with the Japanese, the USSR may be willing to take a new approach to the problem of UN membership in general. Molotov might propose universal membership in the UN, including admission of Communist China and consideration of its claims to Security Council membership.

[REDACTED]

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POSSIBLE SOVIET MOVES
IN THE SATELLITES

Recent Soviet moves, particularly Moscow's public acceptance of Yugoslav Communism and the agreement to withdraw Soviet troops from Austria, have raised considerable speculation both among the Satellite popu-

lations and among Western observers over the possibility of imminent changes in Soviet-Satellite relations.

There are a number of steps the USSR can take to create the

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CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

appearance of granting increased independence to the Satellites without actually weakening its control. For instance, the Cominform, long a symbol of Soviet domination of the Satellites, could be abolished without cost to the USSR.

Such actions would probably be designed to support Moscow's rapidly expanding diplomatic offensive against expected Western attempts to make Soviet domination of the Satellites a subject for negotiation at the forthcoming four-power conference. Both the USSR and the Satellites have displayed extreme sensitivity on this subject.

These moves would also be intended to weaken the West's position on such questions as American bases in Western Europe, the rearmament of West Germany and its inclusion in NATO.

Moscow may attempt to use the political and military mechanisms set up at the Warsaw conference to give the appearance of greater Satellite sovereignty. With the coming into effect of the Warsaw treaty, Soviet troops stationed at "joint armed forces" in

Eastern Europe can no longer be called occupying forces. The terms of the treaty can be used to offset Western objections that the Satellites are not independent.

Indeed, the whole Warsaw organization is expendable, and the USSR may offer during the forthcoming negotiations to abolish it and to withdraw Soviet troops from Hungary and Rumania in return for the disbanding of NATO and the withdrawal of American troops from Western Europe.

Moscow may be planning to propose an independent Balkan bloc in which some Satellites would participate after withdrawal from the Eastern European Defense Command in return for the withdrawal of Greece and Turkey from NATO.

Since the prospects of Western acceptance of any such proposals are extremely dim, the USSR would probably consider that such moves could serve without risk to counter Western proposals and to strengthen neutralist sentiment in the West.

SOVIET-JAPANESE RELATIONS

Following the 7 June meeting between the Japanese and Soviet negotiators in London, Japanese chief negotiator Matsumoto hinted that an important development had caused the postponement of the next meeting until 14 June.

According to the Japanese UN delegate in New York, however, Soviet negotiator Malik made clear that the Soviet Union was in no hurry to conclude the negotiations. Malik suggested that normalization of relations would lead to the settlement of

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

9 June 1955

other problems; the Japanese representative replied that the settlement of problems might assist in normalizing relations.

During the past week, Foreign Minister Shigemitsu publicly rejected neutralism on the Austrian pattern as irrelevant because of Japan's independent status.

Shigemitsu, in statements to the Diet, unequivocally declared that Japan would not agree to abrogate the security treaty and defense arrangements with the United States in return for Soviet concessions. He stated that separation from the United States would destroy Japan's political and economic position.

Prime Minister Hatoyama has taken the same general position as his foreign minister and has also affirmed his determination not to permit negotiations with the USSR to damage Japan's ties with the free world.

Shigemitsu does not believe the Soviet representatives will use the territorial issue for bargaining or that they will return the Kurils or Southern Sakhalin. If they do, he assumes that Japanese neutrality will be the price of the concession. Consequently Shigemitsu feels that if the present talks cannot settle basic issues,

Moscow will propose a trade agreement and the exchange of trade representatives as a first step toward normal relations.

A possible clue to the Communist position may have been revealed in a Communist Chinese propaganda broadcast on 6 June which characterized as unreasonable the Japanese demand for the settlement of outstanding issues prior to any consideration of diplomatic relations. The broadcast declared such demands were purposely imposed by outsiders to undermine the talks between Japan and the USSR.

The Japanese government faces a difficult situation at home if the talks are prolonged. Optimistic statements by the Hatoyama government concerning the London talks have led the Japanese people to expect a quick and favorable agreement. They are unprepared for the prolonged negotiations which will probably be necessary. Conservative circles, including elements of Hatoyama's Democratic Party, are apprehensive about the resultant popular susceptibility to Soviet propaganda.

If the talks fail, the USSR can claim that Japan's security ties and military bases arrangements with the United States preclude Soviet concessions, such as the return of Soviet-occupied territory.

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SOVIET INVITATION TO ADENAUER

By inviting Chancellor Adenauer on 7 June to visit Moscow, the USSR hopes to persuade West Germans that fruitful

negotiations on German unification are possible. Domestic political necessities impelled Bonn to accept the invitation conditionally on 8 June.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

In accepting, Bonn stated that it would like to consult its Western allies. The Germans later are likely to raise questions as to the timing of the meeting in relations to the "summit conference," and the desirability of a prepared agenda.

Moscow may hope to fan West German interest in neutrality by presenting a new and more attractive unification plan.

Even if the Moscow visit is limited to establishing diplomatic and economic relations, the USSR would expect that West Germans would see this as an indication of progress toward eventual talks on unification. The Soviet invitation specifically states that normalization of relations would help solve outstanding problems relating to the whole of Germany and thus contribute to the solution of the unification problem.

Two considerations are probably paramount in Adenauer's thinking: first, the political necessity of taking every opportunity to discuss German unification; and second, the equally great necessity, in Adenauer's view, of retaining the confidence of the West in his ability to withstand Soviet blandishments.

Probably one important factor in Adenauer's acceptance is that the trip to Moscow will clearly prove the opposition Social Democrats to have been

in error when they believed Moscow's propaganda that ratification of the Paris treaties would preclude further negotiations on Germany. Possibly Adenauer, in the hope of further "educating" his opposition, will want to take some Social Democrats, including party chairman Ollenhauer, along with him.

Adenauer and nearly all German leaders have been in favor of resuming diplomatic relations with the Soviet bloc and establishing normal trade relations as well. These sections of the Soviet note therefore accord squarely with West German desires.

Adenauer, however, has not wanted to participate in forthcoming four-power meetings on Germany because he realized that Moscow would then demand the inclusion of an East German contingent. A meeting in Moscow will give him an opportunity to talk directly with Soviet leaders unembarrassed by the presence of East Germans.

All West Germans are united on the necessity for free elections as a prelude to unification; they are, however, divided on the necessity of remaining in NATO. The Social Democrats, while disavowing neutralism, contend that NATO membership should be surrendered in favor of a general alliance and nonaggression pact.

Adenauer has consistently hammered away at the theme that neutrality for a unified Germany, endorsed by Moscow, would be catastrophic.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

PART II

NOTES AND COMMENTSSummit Conference Developments

Ambassador Bohlen believes that the order in which topics were mentioned in the Soviet-Yugoslav declaration of 2 June may contain some hint of which subjects will be given priority by the USSR at the four-power meeting.

The declaration said that new efforts to reach agreement on armaments reduction, the abolition of atomic weapons, a European collective security system, and the peaceful use of atomic energy would create an atmosphere which would make possible a solution of the German and Formosan questions.

Premier Bulganin in his speech before the Warsaw conference on 11 May, however, suggested several other measures necessary to create the international confidence which he said was a prerequisite to a practical solution of the disarmament problem.

These included a Far East settlement, troop withdrawal from Germany, liquidation of foreign military bases, lifting of trade discrimination, and an end to cold war propaganda.

Moscow apparently does not have any rigid and consistent priority list for the topics to be discussed by the heads of government. During the Vienna talks in mid-May, Molotov mentioned European security, disarmament, the atomic question, and a five-power conference as appropriate subjects for the heads of state to discuss.

Soviet officials have expressed "personal" opinions to members of several Norwegian embassies that it would be only

reasonable to suppose some countries in the present Soviet bloc would have to be neutralized as part of a European neutral belt plan.

The Norwegian Foreign Ministry interpreted this as a hint that Moscow might offer to neutralize Poland and Czechoslovakia, in return for major Western concessions, presumably including the neutralization of a united Germany. Norwegian officials also recognized this as an obvious lure to Norway and Denmark to join a neutral belt.

The term "neutralization," as applied to the Satellites, could cover a variety of meanings. Moscow has already said it would disband its military bloc if an all-European security organization were set up and it might offer to withdraw troops and military advisers from a least some of the Satellites in return for substantial Western concessions. Soviet propaganda has objected vigorously, however, to the idea that the legitimacy of the Satellite regimes might be discussed at the four-power conference.

Yugoslav deputy foreign minister Prica told the Western ambassadors that the USSR did not mention the possibility of German neutralization during the Belgrade talks. The Yugoslavs have the impression that the USSR does not expect German unification in the near future and realizes the impossibility of neutralization.

This follows earlier Yugoslav impressions from the talks. Prica also said that the

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CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

Yugoslavs had the impression that Moscow expects real agreement on disarmament will take a long time to attain and believes that no country accepts full control over armaments.

(A roundup of information relating to the "summit conference" is contained in a special SUMMIT CONFERENCE SUPPLEMENT being distributed to recipients of this publication.)

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Soviet-Yugoslav Talks

In contrast to Khrushchev's efforts to emphasize the ideological aspects of the Soviet-Yugoslav declaration of 2 June, the Yugoslavs have been treating it as an important statement of international policy, bringing the Soviet Union closer in line with long-standing Yugoslav views.

Yugoslav officials have not, however, denied that the part of the joint communiqué referring to "co-operation among the social organizations of the two countries" and "exchange of socialist experiences" could cover the possibility of relationships between Communist parties.

The Belgrade press has emphasized that such exchange of socialist experiences conforms to long-standing Yugoslav policy illustrated by relations with Western Socialist parties.

The Yugoslav government has been at particular pains to comment on Western interpretations of the Yugoslav stand. The official government newspaper Politika, for example, stated that Yugoslav recognition of Chinese Communist rights to Formosa depended on the peaceful exercise of these rights. It also emphasized that the Yugoslavs oppose both continued division of Germany and neutralization of a united Germany.

Politika stressed that the communiqué supported the general idea of European security, not "some already existing plan for European security."

Moscow's Pravda, however, capitalized the word "Treaty" in referring to a European security system, apparently in order to imply that the declaration was endorsing the Molotov security plan. The Yugoslavs had previously reported that during the talks the Soviet delegation sought specific support for the Molotov plan.

There have been conflicting reports as to the effect of the meeting on the Yugoslav belief that the Soviet Union is actually changing its approach to both internal and international problems.

In the official Yugoslav briefing for the three Western ambassadors, Yugoslav under secretary of foreign affairs Prica emphasized the continued Yugoslav judgment that the Soviet leaders really want peace and realize that war would be a dreadful disaster. He also stated that the Yugoslav government is sure that the present Soviet leaders recognize the stupidity of much of the Stalin policy and that changes are coming to the USSR.

Vice President Kardelj specifically told the British

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

9 June 1955

ambassador during the conference that he was convinced Moscow wanted peace and would eventually make concessions to that end. Vilfan, Tito's secretary, reportedly stated following the meeting that he thought there was a possibility that fundamental changes were occurring in the Soviet Union.

On the other hand, Ambassador Riddleberger has received reports from good sources that Tito himself was disillusioned about the real

Soviet attitude and that he was less convinced that Moscow's intentions are peaceful.

Tito was reportedly shocked by frank statements about the continuation of the Stalinist line inside the USSR and by Soviet boasting that World War I brought Communism to Russia, World War II to China and Eastern Europe, and World War III would see it spread throughout the world.

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Khrushchev's Primacy
Evident at Belgrade

The behavior of Party Secretary Khrushchev during the visit of the Soviet delegation to Belgrade and to the Satellites is the clearest public demonstration that he is the most influential leader of the Soviet hierarchy. This represents a departure from past efforts to suggest that at least the four or five senior presidium members are equals.

Both Premier Bulganin and presidium member Mikoyan, well known for their commanding personalities, were consistently relegated to positions of secondary importance during the trip. The fact that Bulganin, not Khrushchev, signed the declaration of agreement with Tito was probably a concession to Yugoslav insistence that the agreements reached were strictly governmental and not political.

Any embarrassment to the Soviet Union resulting from the delegation's visit to Yugoslavia would not necessarily reflect on Khrushchev's power position, since important diplomatic maneuvers probably reflect a general consensus or agreement within the party presidium.

The fact that Khrushchev plays a more important role than Bulganin may cause difficulties at the Big Four talks planned for next month, since Khrushchev, not being the head of state, is not expected to attend. Bulganin, as chairman of the Council of Ministers and a power in his own right, will be able to present the Soviet viewpoint effectively, but may have less authority than Khrushchev in meeting problems that arise on the spot.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

Satellite Reactions
To Belgrade Talks

The reversal in Soviet policy toward Tito, less than a month after the USSR agreed to withdraw from Austria, has raised hopes among the Satellite populations for a loosening of Communist controls in Eastern Europe.

The Satellite regimes, maintaining an outward calm, have officially acclaimed the Soviet-Yugoslav declaration as a contribution to peace and have promised to take steps to reach similar accords with Yugoslavia. There are indications, however, that Khrushchev's visit is causing increased confusion and uneasiness in the Communist parties, particularly in Hungary.

According to the American legation in Bucharest, Soviet prestige has suffered "considerably" and rumors are widespread that Rumania will be liberated during 1955.

The American legation in Budapest reports that not even the sharply increased police terrorist tactics which have appeared in Hungary during the past several weeks have dampened the mood of "high optimism" which has gripped the Hungarian people since the signing of the Austrian treaty.

While no reports of specific reaction have yet been received from the other Satellites, a sense of excitement and hope is probably general throughout Eastern Europe.

The Soviet delegation's stopover in Sofia and Bucharest on its way back to Moscow may have been intended at least in

part to reassure Satellite leaders that the Soviet about-face on Tito will not affect the USSR's support for these Satellite regimes.

Extensive speculation is reported from Hungary about the possible ouster of first secretary Rakosi and other "orthodox" Communist leaders as part of a Soviet attempt to appease Tito. Rakosi played a leading role in the 1948 ejection of Tito from the Cominform.

Such speculation will probably contribute to further hesitation among party members to give active support to Rakosi, whose party strength has already suffered as a result of his conflict with ex-premier Nagy.

The public reconciliation with Tito and recognition of the Yugoslav "form of development of Socialism" will probably encourage nationalism both among the Satellite populations and within the Communist parties. It is likely to make even more difficult the efforts of the Satellite regimes to gain mass support for their policies.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

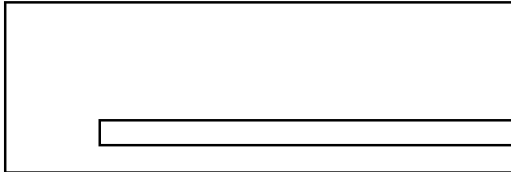
9 June 1955

Effect of Belgrade Talks
On Western Communist Parties

The Soviet-Yugoslav conversations produced initial confusion in the Communist Party of Italy and a dramatic denunciation of Khrushchev's explanation for the break by Vittorio Vidali, head of the "pro-Cominform" Communist Party of Trieste.

Vidali, in an editorial in The Trieste Communist newspaper on 30 May, said that Trieste Communists were enormously surprised and shaken by Khrushchev's attempt to place the blame on Beria, Abakumov and others for the Cominform decision.

Now he may be preparing to fall into line. He said in an interview in Unita that he expected a "complete clarification" of Khrushchev's remarks "would undoubtedly be reached in the near future."



The French Communist Party, a participant in the 1948 Cominform decision to condemn Tito, has not yet taken a public position on the Belgrade discussions.

The USSR's public acknowledgment of the rights of individual nations to find their own appropriate paths to socialism suggests that foreign Communist parties may be given an independence of action in domestic politics whereby they could represent themselves as truly national political parties not

subservient to Moscow. Such tactics conceivably could make them politically more formidable.

There has been speculation that the Cominform, which has become a symbol for Soviet subversion, would be abolished.

International Communist activity may be an agenda topic for the "summit conference" this summer, and the USSR might find it advantageous to make a gesture that could be construed as abolishing the international Communist subversive apparatus. Such a move would be in line with the acknowledgment of error in the recognition of independence in achieving socialism.

The Cominform, which is largely a propaganda organ, includes the French and Italian parties as the only non-Satellite members. Its publication, For a Lasting Peace, For a People's Democracy! has been useful in transmitting the party line to Communist parties throughout the world.

This function could be performed by the numerous other Communist publications or possibly through covert channels, and thus the USSR would sacrifice little by the abolition of the Cominform. It might hope by this move to disarm suspicion of Soviet subversive activities in the non-Communist world, as it did in dissolving the Comintern in 1943, even though the two organizations are dissimilar in function and importance.

The Soviet Union might hope that the abandonment of the

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

Cominform, and the portrayal of foreign Communist parties as national parties, would be a persuasive reply to the charge that it uses foreign Communist parties in fostering a new type of imperialism.

Nehru, according to Indian newspaper accounts, will ask that the Cominform be dissolved "to prove Russia's sincerity of noninterference in other countries' affairs." [REDACTED]

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Berlin Truck Toll Problem
Remains Unresolved

The problem of the exorbitant tolls imposed by East Germany on West German truck traffic into Berlin was little closer to solution after a second meeting of transport experts of the two countries on 4 June.

West Germany's efforts to solve the problem in discussions at a technical level produced no decision, and the East Germans continued to press for additional recognition by demanding that the problem of freight confiscations be discussed by the transport ministers.

The East Germans, who declined Bonn's offer of a joint technical study of the toll problem, instead informed the head of the West German delegation of their unilateral decision to reduce the tolls by 20 percent of the total. The reduction is very small on truck traffic, however, and benefits mainly drivers of passenger cars.

The East German negotiators hinted that the Autobahn tolls might be further reduced if needed spare parts for old trucks and railroad cars were made available for sale to East Germany.

This 20-percent reduction apparently was doled out by the East Germans in return for the

gesture toward recognition implicit in the West German delegation's journey to the East German ministry to conduct the discussions.

The suggestion that Bonn's transport minister should contact his East German counterpart to settle the confiscation problem is a further indication of the purpose behind the current harassing measures. The degree to which Communist pressures will be relaxed will probably be closely related to the amount of recognition granted by the West Germans to East Germany.

While there has been no official West German reaction to these developments, it is possible that Bonn may now be more willing to impose firmer economic countermeasures to combat the Communist pressure tactics. At the same time, the West Germans will call for further efforts of the Western powers to intervene with Soviet authorities.

Meanwhile, scrap shipments on the Autobahn and canal routes continued to be interfered with to the same extent as before, with confiscations of truck and barge cargoes as well as heavy fines being imposed.

The East German government also announced on 4 June

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CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

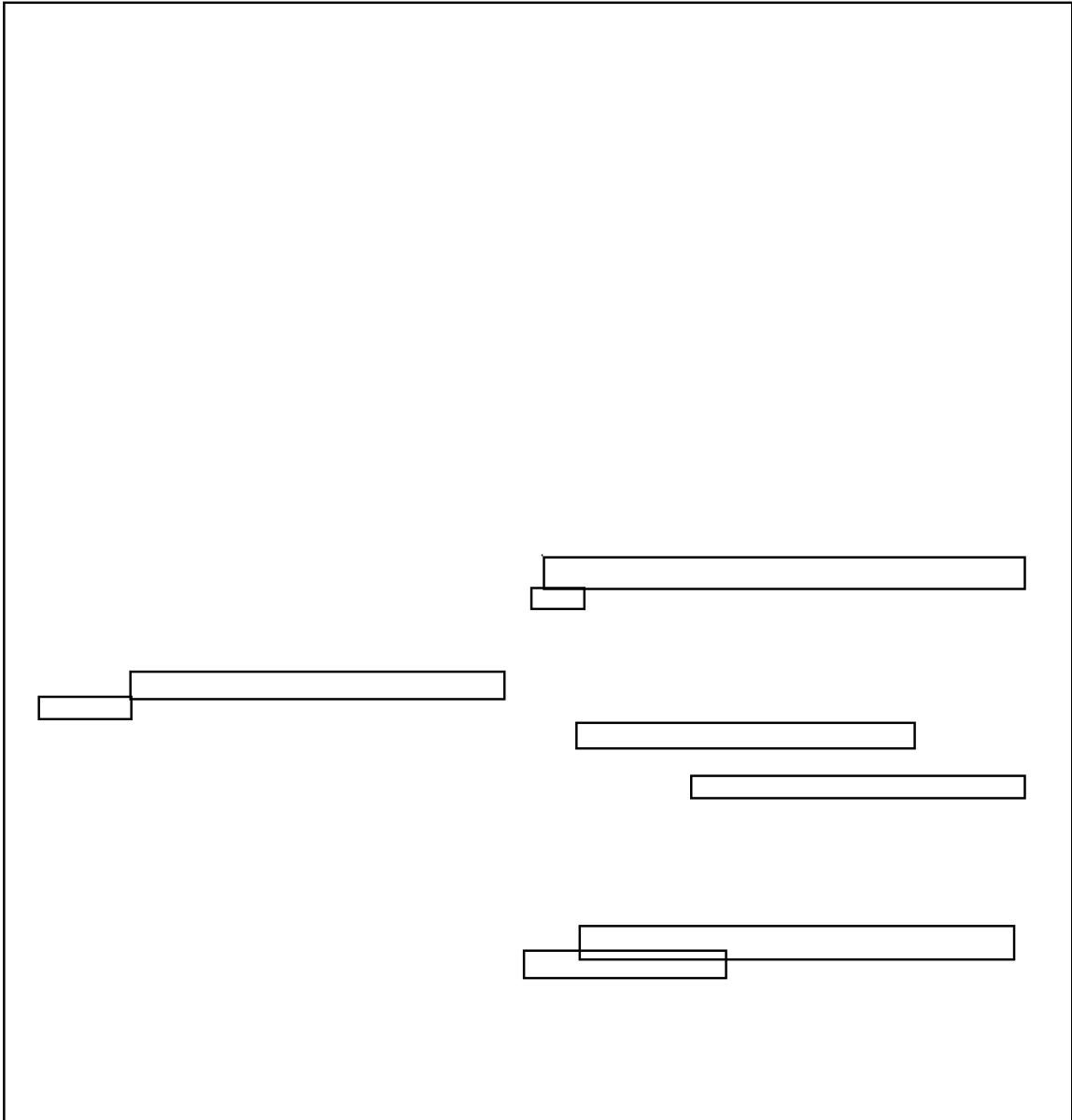
that restrictions were being imposed on travel between West and East Germany to prevent the spread of a West German typhoid epidemic.

While there is no question of the seriousness of the

epidemic, the East German move was probably motivated more by political and security than health considerations. As yet, the precise nature of the restrictions has not been revealed.

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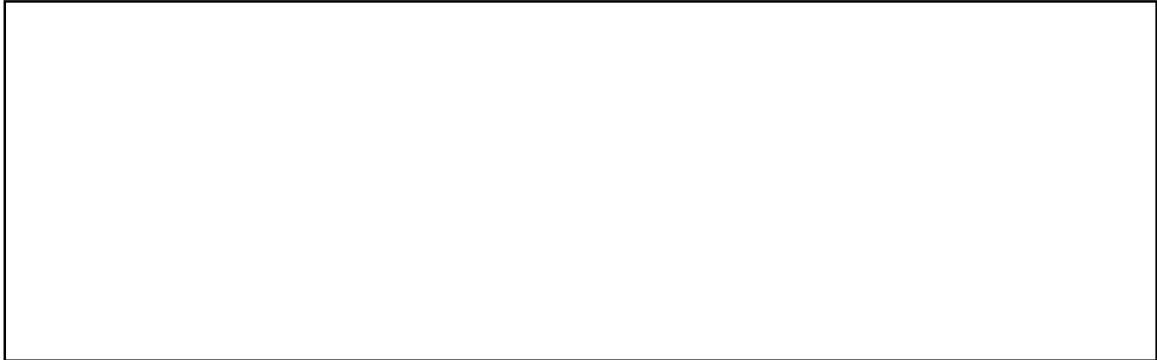
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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955



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South Vietnam

The Vietnamese army's heavy superiority in weapons and manpower give it a decided edge in its campaign against the Hoa Hao rebels. The army, which has 24,000 troops in position for the campaign, is apparently moving cautiously, but appears to have successfully isolated the 7,500 troops of General Soai from any support that might be provided by Ba Cut, the other rebellious Hoa Hao leader.

Besides this problem, the most pressing question facing Diem's government is that of talks in July with the Viet Minh on the 1956 all-Vietnam elections envisioned at Geneva. The final declaration at Geneva specified that consultations on the July 1956 elections for unification will take place "between competent authorities of the two zones after 20 July 1955."

As the Geneva signatory, the French are responsible for carrying out the Geneva terms on the non-Communist side. Their legal experts interpret the declaration to mean that talks between the two sides should take place on 20 July, not just at some time thereafter.

The French have suggested that the Western powers propose either that the Geneva confer-

ence presidents (Eden and Molotov) make an approach to the two Vietnams or that the International Control Commission do so.

The Diem government, meanwhile, is apparently planning to use two arguments as a basis for backing away from any talks with the Viet Minh, at least in July.

The main argument is that the Vietnamese government was not a signatory of the Geneva agreement and is thus not bound by its terms. Another argument, or stall, is that only a popularly elected assembly--which will not exist before fall--can deal with such vital matters.

In addition, Diem is linking the subject of elections to the status of the French Expeditionary Corps. He maintains it is essential that Vietnamese sovereignty be complete and unquestioned before his government makes any declaration on all-Vietnam elections.

When such a declaration is made, he wants to dissociate his government completely from the Geneva accords. He regards this as a necessary step to prevent the International Control Commission, which he distrusts, from taking over the election arrangements.

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

Diem's point will scarcely impress the Indian chairman of the Control Commission, who said on 31 May, "If the French had the authority and it has passed to the Vietnamese, the latter are responsible; but we do not know how much has passed to the Vietnamese." As to whether the Vietnamese "automatically inherit" the responsibility of a Geneva signatory, the Indian chairman said that was a legal

question that would be studied when it arose.

The Canadians on the commission take the position that it has no role regarding elections until both sides have agreed on all details. The Indians, with the support of the Poles, however, will almost certainly seek an active role for the commission.

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Cambodia

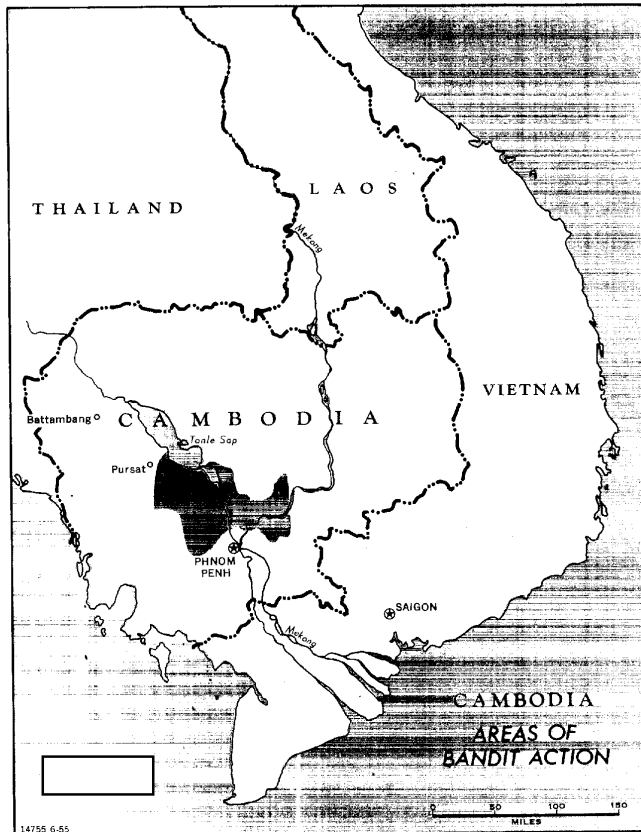
In recent weeks a marked deterioration has been noted in Cambodia's internal security situation.

after forays. Favored targets are the numerous local buses, and many villagers have been kidnaped for ransom.

Small, roving outlaw bands reinforced by military deserters are terrorizing provinces north and west of Phnom Penh. Provincial officials have proved lax in meeting the security problem and the government itself has only lately acknowledged the threat.

The government has had to warn foreign representatives in the capital to avoid "unpleasant surprises" by restricting their travel on certain routes leading north-westward.

The bandits, for the most part outlaws who until the Geneva truce operated under the guise of nationalists, follow guerrilla-like tactics. They move by night in small groups and withdraw and regroup quickly



SECRET

25X1

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

Potential sources of reinforcements for these bandit groups include not only peasants, whom the brigands are able to recruit or impress, but also dissatisfied regular army and auxiliary troops.

Many soldiers reportedly have already gone over to the outlaws following an increase in the amount of personal "squeeze" exacted from their pay by their officers. Those auxiliaries who since the Geneva cease-fire rallied from dissident ranks and were allowed a semi-autonomous status in the armed forces are discontented with their pay scale, which is considerably lower than that of the royal army.

Provincial troops have been less than energetic in meeting this security threat and their capability of doing so is questionable. The central government has likewise been lax in reinforcing these in-

secure areas with regular troops, who might achieve more success. The tactics of the outlaws, and the cover afforded them by the terrain, makes their apprehension difficult in any case.

The government has appointed two high-ranking officials to overhaul the machinery of internal defense. Phnom Penh officials are not unaware of the fact that banditry, although now conducted with no political objectives, could develop into an important political issue.

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Nehru's Visit to the USSR

Indian prime minister Nehru's good-will visit to the USSR and the Satellites is complementary to his visit to Peiping in October. Soviet efforts to play on Nehru's susceptibility to flattery will probably succeed, but not to the extent of causing any change in India's foreign policy.

Having gone to Peiping, Nehru undoubtedly felt he should accede to long-standing invitations from the Soviet Union.

The enormous ovation given to Nehru on his arrival in Moscow--much greater than the reception he received in Peiping--was undoubtedly intended to play upon Nehru's well-known susceptibility to flattery. It is very likely that Nehru will be pleased by this demonstration of his importance in the world.

A carefully planned tour may impress Nehru with Soviet strength and the accomplishments of a socialist economy. Since he has long considered the USSR a technologically advanced European nation, however, he is probably prepared for what he will be shown. This was not true in the case of Communist China, in which Nehru is much more deeply interested and with which he recognizes a cultural kinship.

Nehru has for some years recognized the Soviet Union's aggressive intentions and its hold over Indian Communists. However, he knows less and cares less about international problems involving the USSR and its Satellites than he does about the Chinese and such questions as Formosa. He is not vitally concerned with trade, a focal point of Soviet and Satellite interest in India.

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

Afghan-Pakistani Situation

The basic issues between Pakistan and Afghanistan remain unresolved. Saudi Arabian efforts at mediation have apparently led to agreement for a hoisting of the Pakistani flag in Kabul. A five-nation commission is to investigate the attack on the Afghan consulate in Peshawar. Continued Pakistani economic pressure on Afghanistan has apparently inspired widespread efforts by Afghanistan to strengthen its bargaining position.

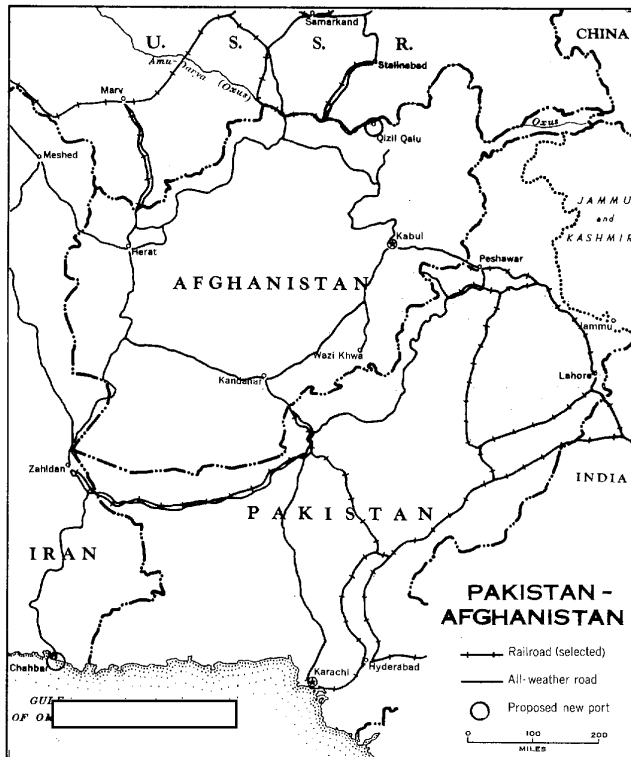
Information from the Pakistani embassy in Kabul suggests that Pakistan is not now insisting on the presence of central government representatives at the Kabul flag-raising ceremony.

In an apparent effort to build its bargaining position, Afghanistan has begun talks with Iran over use of the Gulf of Oman port of Chahbar as an outlet to the sea, instead of Karachi. Kabul has also announced a new agreement to construct, with Soviet assistance, a new port of entry at Qizil Qalu on the Afghan side of the Oxus River.

There is no necessary connection between these

developments and the Afghan economic mission currently in Moscow.

Whether Afghanistan will



cease its efforts to establish new patterns of trade if current mediation efforts are successful is not yet clear. Neither is there any indication that Pakistani pressure for the removal of Prime Minister Daud will end with the raising of the Pakistani flag in Kabul.

Syria

The forthcoming visit to the United States of Syrian foreign minister Khalid al Azm

is likely to delay further negotiation of the Egyptian-Saudi Arabian-Syrian defense pact.

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

Azm plans to leave on 12 June to attend the meeting of the United Nations in San Francisco. Speculation in the area generally is that he will not sign Cairo's pact before his departure.

The ostensible cause of delay is disagreement over the size of the Egyptian-Saudi contribution to Syria's defense costs. The real obstacle is, however, Azm's unwillingness to take any step which he thinks might throw the country into turmoil and thereby jeopardize his chances of winning the presidency of Syria this fall.

With the pact unsigned, and Azm out of the country, political activity in Syria is likely to slacken just as it did when Azm attended the Bandung conference.

However, covert plotting by the leftist Arab Socialist-Resurrectionist Party, which has been pressing Azm to sign the pact, will probably continue. Conservative politicians, who favor closer links with Iraq and the West rather than Egypt and Saudi Arabia, likewise may continue jockeying against one another as well as against Azm and the Resurrectionist Party.

Azm's return from San Francisco may signal the re-opening of his campaign for the presidency. The foreign minister probably hopes to gain considerable domestic prestige from his trip, in the course of which he will make stops at Paris and London. Anti-Western sentiment in Syria is still so strong, however, that Azm may have to rely heavily on the Resurrectionist Party for support.

25X1

Israeli-Egyptian Border Tension

Tension between Israel and Egypt in the Gaza area has not been eased despite peace efforts of UN truce chief General Burns and representations in Tel Aviv and Cairo by American, British and French diplomats.

Neither Israel nor Egypt has to date accepted either government's conditions for negotiations, but both appear to be making some effort to exercise restraint in the area.

Sentiment is reported growing in Israel, however, that the Gaza strip should be taken by force. Egypt has already received assurances of military

aid from Iraq, Jordan, Lebanon and Syria in repelling any Israeli aggression.

Tel Aviv continues to demand high-level direct talks with Cairo officials and has requested American pressure on Egypt to control its troops along the border. At the same time, Israel still rejects proposals for further discussions within the Mixed Armistice Commission and maintains its desire for security guarantees from the United States.

In view of the 26 July elections, the Mapai party, now in control of the government,

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

apparently feels that unless it follows a maximum "tough" border policy, it may lose votes to the extremist opposition political parties. Protection of border settlers and the country's security are likely to be main issues in the campaign.

Egyptian prime minister Nasr, harassed by his own internal problems, has suggested that if Israel would agree to his proposal for a neutral zone along the demarcation line, he might be willing to have a meeting on a level of military chiefs of staff. However, he has made clear that Egypt cannot meet on a higher level.

The government-controlled Egyptian press has warned that an Israeli attempt to occupy the Gaza strip would renew the war.

Despite the somewhat ambiguous impressions left by Israeli spokesmen, Tel Aviv will probably not initiate a war against Egypt at this time. Frontier clashes and large-scale retaliatory raids are likely to continue. Israel's economic dependence on public and private American aid and possible concern over its ability to withstand a united attack by the Arab states are likely to counter the domestic pressure for trying to drive the Egyptian forces out of the Gaza strip.

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French North Africa

The situation remains tense in Algeria and Morocco. Nearly 10,000 French army reserves have been called to active duty in Algeria, where more than 100,000 troops are now assigned but where guerrilla ambushes continue unabated.

The upsurge of terrorism which occurred in Morocco at the end of Ramadan--the month of fasting--in late May has not lessened. Tension is so high in Casablanca that European residents are reported to fear being massacred.

In Tunisia, no disorders disrupted the homecoming celebrations for Habib Bourghiba, president of the moderate nationalist Neo-Destour party, who returned on 1 June after

more than three years' enforced exile.

Bourghiba immediately declared that the conventions, signed in Paris on 3 June, were only the initial step toward full independence. His insistence on collaboration with the French, at least initially, probably will reduce somewhat the haggling over interpretation of the conventions. The French government expects they will be ratified by the National Assembly in July.

Radio Cairo and Radio Damascus beamed at North Africa continue agitation against the Tunisian agreement, and the rumblings of extreme nationalist disapproval as well as French settler opposition raise the possibility of more trouble.

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

French Military Withdrawals
Weaken NATO Defense

France's determination to preserve its position in North Africa has resulted in a weakening of French participation in NATO.

Recent heavy withdrawals of NATO-committed contingents for use in North Africa, including an estimated fifth of the French M-day contribution, have led Supreme Allied Commander Gruenther to warn that "some positive action" is required by the French government to restore its combat forces on the Continent and to reconstitute the French mobilization base.

French combat effectiveness in Europe had already been compromised by the precipitate institution early this year of a long-range forces reorganization plan to convert existing large NATO-committed divisions into "light" units. The reorganization was begun where SHAPE was most reluctant to see it--among divisions in Germany and eastern France. One of the "reorganized" M-day divisions is now being moved to North Africa.

Although the two M-day divisions whose effectiveness was reduced by 1954 withdrawals of men and equipment now have been replenished by conscripts, personnel withdrawn from other units have never been fully replaced because of "budgetary and financial" reasons.

Hope that an accelerated repatriation of the French regulars in Indochina could at least fill the newly created M-day gaps for General Gruenther is waning. Increased indications are that many repatriates will be used in North Africa.

The French redeployment has been reported to the North Atlantic Council, which has requested the opinion of its military authorities on the effects of the French move.

Faure's flat public announcement that his government would not permit anything to stand in the way of restoring order in Algeria throws open the basic question of the degree to which France is actually willing to subordinate national interests to NATO. Faure increased doubts as to the French position by remarking privately to General Gruenther on 4 June that France had probably made a mistake in assigning too large a proportion of its forces to NATO.

As long as unrest continues in North Africa, there is little possibility that the French government can be induced to rebuild an effective force for NATO in Europe. Because of their hopes for an East-West detente aroused by the assurance of big-four talks, the French probably will try to avoid any serious reconsideration of their present military policies. [redacted]

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

USSR Trying to Encourage
Neutrality in Italy

Soviet and Italian Communist propaganda in recent weeks has been attempting to arouse Italian opposition to the possible transfer of American troops now in Austria to northern Italy. Moscow has warned that this would increase the dangers to which Italy is already vulnerable as a result of its involvement in NATO.

Not only is Moscow seriously interested in trying to prevent having American troops based in Italy, but it probably considers that the Austrian settlement has created a more favorable climate for neutrality in Italy.

Soviet commentaries argue that the threat of American troops is rising just at the time when the Austrian settlement has changed Italy's situation and has convinced many Italians that their country should become independent of the American-dominated military bloc.

As an open manifestation of Soviet interest in Italy, Molotov appeared at the Italian national day celebration at the Italian embassy in Moscow on 2 June, the first such appearance by the Soviet foreign minister since before the war.

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Sicilian Election Results

The outcome of the Sicilian regional elections on 5 June has increased the prospects for early changes in the Italian cabinet--possibly to an all-Christian Democratic minority government. Premier Scelba is expected to announce a cabinet reshuffle or even his resignation during the parliamentary debate scheduled to begin on 14 June on a rightist-sponsored motion of no confidence in the government.

The Communists and Nenni Socialists again won 30 seats in the 90-member Sicilian assembly, indicating that, whatever the success of the Scelba government's anti-Communist campaign in Italy's industrial north, it has not significantly cut into the polling power of the extreme left in Sicily.

The Communists are reported to have lost 15,000 votes as compared with their

Sicilian support in the national elections two years ago--possibly in part a result of the reported confusion in the party over the USSR's approaches to Tito. The Nenni Socialists, however, picked up 55,000 votes over their 1953 figure.

The Christian Democrats increased their representation in the regional assembly from 30 to 37 seats, but made these gains mainly at the expense of the smaller center parties which are their allies in the national coalition government. These results will probably intensify the pressure in Christian Democratic circles for replacement of the Scelba coalition with a one-party cabinet.

The formation of an all-Christian Democratic national government would require new agreements between the party's minority right-wing "Concentration" faction and the

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

reformist "Democratic Initiative" majority group. Both factions have reservations about Scelba and presumably would like to see him replaced. Furthermore, the party's internal differences might be smoothed over somewhat by a redistribution of the key cabinet posts now held by the minor coalition parties.

The most likely candidates to replace Scelba are Christian Democratic Party secretary Amintore Fanfani and Budget Minister Ezio Vanoni, both of the party's left wing. Other possibilities are "Concentration" leaders former premier Giuseppe Pella and former party secretary Guido Gonella.

Party president Adone Zoli might be a compromise choice.

The Christian Democrats do not have a majority in parliament, and the formation of a one-party cabinet would probably not be attempted without a working arrangement with one or more other parties, probably either the Monarchists or the Nenni Socialists.

In any case, the decisions reached on the composition of the cabinet will be made mainly on the basis of domestic issues, and it is unlikely that Italy will depart radically from its pro-Western foreign policy.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****9 June 1955****PART III****PATTERNS AND PERSPECTIVES****THE SIGNATURE CAMPAIGN OF THE WORLD PEACE COUNCIL**

The world-wide signature campaign to ban nuclear weapons, sponsored by the Communist-dominated World Peace Council (WPC), is to culminate in a World Peace Congress scheduled to begin in Helsinki on 22 June.

Although the current "Vienna Appeal" has attracted more adherents than its 1950 predecessor, the "Stockholm Appeal," there is considerable evidence that the WPC is having a difficult time reaching its goal of one billion signatures. Outside the Sino-Soviet bloc, the drive has progressed very slowly, and even the USSR has not pushed the campaign within its own borders with its customary vigor.

The modification of the Soviet line on the consequences of nuclear warfare, set forth in Molotov's speech on 8 February, probably was responsible for a divergence in line and some confusion that has appeared since the signature campaign began in January.

The Vienna Appeal warns that the use of atomic weapons would result in a war of extermination, and demands the "destruction of stockpiles of atomic weapons, wherever they may be, and an immediate end to their manufacture."

This wording goes further than the Stockholm Appeal, which demanded only that such weapons not be used for "intimidation and mass murder."

Evaluation of WPC Activities

The World Peace Council is the major front organization for soliciting support for Soviet policy objectives.

Operating without overt affiliation with any Communist

party or the Soviet government, the WPC masks its goals behind a facade of generally approved social ideas. Its current program of collecting signatures in a mass campaign is part of the effort to maintain the organizational network of the peace movement intact through constant activity.

There is no indication to date that the coming congress will be any more successful than the "Congress of the Peoples for Peace" held in Vienna in December 1952, when attendance fell short of Communist expectations. The Communists claim that some 3,000 "peace partisans" from 61 countries will attend.

The "World Assembly of Representatives of Forces for Peace" was planned last fall to take place in May. Without any prior warning, the WPC secretariat issued a statement on 27 April postponing the congress until 22 June, at the request of various "important organizations and prominent individuals" who were to attend.

It seems probable that the congress was postponed because (1) the international atmosphere had changed considerably since the scheduling of the meeting and events were unfolding too rapidly for the propaganda of the peace movement to keep pace, and (2) the reception of the Vienna Appeal as of April was so far below expectation that an extension of time was necessary.

Total signatures for the appeal had far from reached the goal of one billion when the communiqué postponing the conference was issued. If all Communist claims are taken at face value, 400,000,000 signatures had been obtained in Communist China and only

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

about half that many in all the rest of the world.

Divergence in Communist Line

One of the difficulties in obtaining signatures may have been the divergence between the WPC and Soviet lines in atomic warfare.

Frederic Joliot-Curie, chairman of the WPC, had to modify his stand on the possibilities of atom destruction of "all life on our planet" to bring it closer to the Soviet position, expressed by Molotov in February, that only capitalism and not civilization would be destroyed by a nuclear war.

The East German party central committee issued a directive in March stating that the signing of the appeal did not constitute an endorsement of all the aims of the WPC or Joliot-Curie's early statements.

Maurice Thorez in March corrected a Communist editor for exaggerating the threat of nuclear war and recommended "for our party activists" Molotov's reply to "those who talk about the wiping out of world civilization."

There has been a sporadic but definite tendency among some Communist editors to change the emphasis of WPC pronouncements, apparently in order to avoid contradicting the Molotov line.

Moscow radio, Neues Deutschland, and the British Front magazine, Soviet Weekly, eliminated completely the first three lines of the Vienna Appeal which referred to "war of extermination" and by doing so left the emphasis on the effectiveness of mass initiative for "peace."

The Drive Outside the Bloc

The absence of progress reports from the 40 countries outside the Sino-Soviet bloc where signatures are being collected, suggests that the drive has not come up to expectations in these countries.

The secretary general of the Italian Communist Party, Palmiro Togliatti, published an article in the Cominform journal in May stating that the work in exposing atomic danger is suffering and the collection of signatures is falling far short of the need because of the people's attitude "that whatever our course, developments will in the long run take their course."

Signatures in non-Communist countries are being collected by house-to-house canvasses as well as by mass recruitment in industrial plants and public areas.

Adherence is encouraged by a variety of methods. In Finland, Communist sympathizers "vie with each other" for the prizes awarded to those collecting the most signatures. Autographed pictures of national party leaders are presented to those most successful in India.

In central and southern Africa, fingerprints are substituted for signatures.

In the United States, one source reports that telegrams and letters, rather than signatures on the petitions, are being solicited.

According to FBI reports, Communist Party leaders in California were to launch a state-wide petition demanding the abolition of atomic weapons. These petitions are reportedly similar to but not identical to those now being circulated

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

9 June 1955

by the WPC. Fruits of the effort in the United States are to be presented at the tenth anniversary session of the United Nations to be held in June in San Francisco.

The appeal has made more headway than expected in the trade unions in Sweden because it was signed by the vice president of the Swedish Confederation of Trade Unions, who is usually strongly anti-Communist. There the sponsorship and purpose of the campaign have not been publicized and thus many of those signing were unaware of the political implications.

Italian propagandists used May Day celebrations to keynote the struggle against atomic war preparations. Their campaign was accented by allocating specific times for concentration, with 17 April set as "Youth for Peace Day" and 17-25 April--"Week of struggle for peace and for the successful collection of signatures."

The Drive in the Soviet Bloc

In those Satellites where the drive has been completed--Czechoslovakia, Hungary, Poland, East Germany--the figures reported by the Communist press represent in most cases about 80 percent of the population.

In contrast to its usual leading role in such matters, Moscow seems to have been reluctant to push the WPC signature drive in the USSR.

The campaign opened in the Soviet Union on 1 April, some 10 weeks after the text of the appeal was issued and after collection was well under way in the Satellites. To date, no specific results have been publicized. It was merely announced at the recent 5th All-Union Peace Conference

that "scores of millions" of signatures have been collected in the Soviet Union.

Soviet radio propaganda on the appeal constituted only 10 percent of the total internal and external broadcasting time during the period of greatest emphasis in the first week in April and has now practically dropped out of Moscow's broadcasts.

This modest Soviet investment of effort in the WPC campaign, which of course was scheduled some six months ago, may reflect the development in recent months of new departures in Soviet foreign policy and propaganda. The strong emphasis Molotov and other Soviet leaders have recently placed on Communist ability to survive an atomic war has inevitably tended to undercut WPC descriptions of the horrors of atomic devastation.

The USSR has also been turning the focus of world attention to direct Big Four negotiations as the main arena in which the Communist "struggle for peace" is being waged. The WPC effort has thus tended to be pushed out of the limelight.

Finally, the USSR in its omnibus "peace" proposals of 10 May put the problem of banning nuclear warfare and destroying existing nuclear weapons in the framework of a general disarmament plan considerably more realistic and subject to more serious negotiations than the WPC demands.

As a result of these developments, the WPC signature campaign is not now so directly geared to Soviet policy as when it was planned.

The WPC effort will probably continue, but is unlikely to recover fully from the confusion and apathy of its early stages this year. [redacted]

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

9 June 1955

PEIPING'S EFFORT TO WIN OVERSEAS CHINESE MAKING HEADWAY

The 10,000,000 or 12,000,000 Overseas Chinese residing in Southeast Asia are an element of great political and economic importance throughout the area. Ever since the Peiping regime seized power on the China mainland, it has sought, with considerable success, to win the allegiance of these Chinese.

The Chinese communities in Southeast Asia constitute approximately six percent of the region's population. As a result of their industry and initiative, they are the most powerful economic group in almost every Southeast Asian country.

For generations, the Overseas Chinese have resisted assimilation, regarded China as the "homeland," and passively accepted whatever regime happened to be in power in China. These factors have been intensified by the legal and extralegal harassment they have experienced at the hands of local governments throughout Southeast Asia.

An initially favorable reaction to the Communist regime was set back somewhat by the brutalities of Communist "reforms," and Peiping's 1952-53 extortion campaign which touched practically every Chinese in Southeast Asia. A continuing obstacle for Peiping has been the preoccupation of the Chinese with their business interests and their desire to avoid open political commitments.

Peiping's Tactics

An article in Peiping's constitution states, "the Chinese Peoples Republic protects the interests of Overseas Chinese." There is an Overseas Chinese Affairs Commission, a government agency

charged with implementing this provision. Thirty seats in the National Peoples Congress are reserved for overseas representatives, of which some 20 are allotted to Southeast Asian countries.

The Overseas Chinese are bombarded by intensive propaganda. The present "peoples" regime is pictured as representing China in its best tradition, genuinely solicitous of the welfare of the Overseas Chinese. The propaganda also stresses the "wave of the future" theme by consistently asserting that Communist China and the Soviet Orbit are indivisible and that their strength is invincible.

Peiping has been particularly interested in influencing young people. It not only appeals to youthful patriotism, but offers such tangible inducements as free tuition and a promise of a good job for those who return to the mainland to pursue their education.

Inexpensive Communist textbooks are readily available to Chinese schools throughout Southeast Asia, and pro-Communist teachers have been employed in increasing numbers. The Communists have also taken considerable pains to organize all sorts of athletic, hobby and discussion groups for Overseas Chinese youths.

Front organizations and well-advertised relief projects have been organized--through diplomatic posts--to aid Chinese victims of disasters. The several branches of the Bank of China in Southeast Asia finance various Communist programs and advance low-interest loans to individuals and organizations. They also subsidize newspapers and finance good-will missions to China.

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

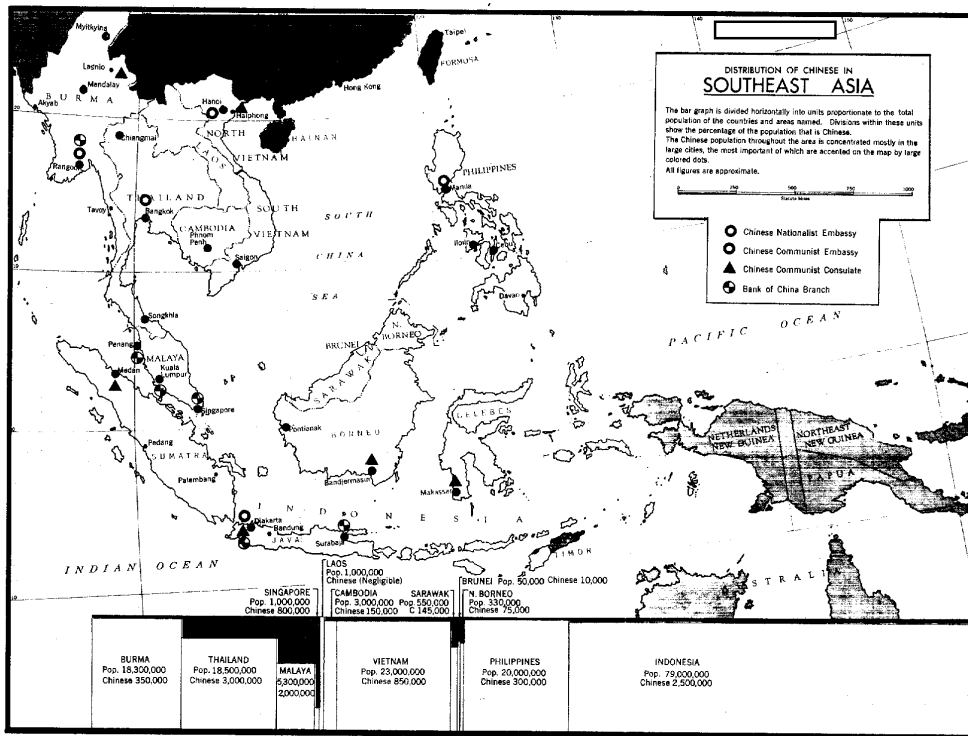
9 June 1955

Local Chinese Communists resort to sterner measures, including assassination, to discourage opposition.

In the interest of securing badly needed foreign exchange, Peiping is encouraging Overseas Chinese to remit money to China. Relatives of Overseas Chinese are now apparently receiving preferential treatment and Peiping claims that remit-

The most striking is the large number of students going to China. It is estimated that by 1953, well over 10,000 students had traveled to China from Southeast Asia to pursue their education.

The flow has not only been maintained but probably increased. Approximately ten percent of the present enrollment of Chinese Communist



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tances are reaching the addressees in record time. A number of investment companies have also been established to which Chinese abroad are asked to send money in order to enhance China's economic development.

Results of the Campaign

There are a number of indications that Communist efforts to influence Overseas Chinese have been effective.

secondary schools is reported to consist of overseas students. In fact, recent reports suggest that the movement is placing a heavy strain on accommodations and that Communist authorities now feel they can be more selective.

In Southeast Asia, itself, the Communists have gained control of large numbers of Chinese schools, exert strong influence in Chinese labor unions, trade associations and secret

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

9 June 1955

societies, and have at least the tacit support of most of the local Chinese press.

In such countries as Burma and Indonesia, which are anxious to maintain friendly relations with Peiping, the climate is particularly favorable for the Chinese Communists' activities and they are conducted quite openly. The enthusiastic reception accorded Chou En-lai on his way to the Bandung conference by the Chinese in these countries is indicative of their attitude.

The recent riots in Singapore were a demonstration of the Communists' ability to extend their influence among Overseas Chinese under adverse circumstances. Although forced to operate clandestinely, the Communists were in control of the Chinese unions and students involved and were successful in winning extensive concessions from the government and employers, which had a devastating effect on the morale of anti-Communist Chinese.

Appeal to Southeast Asians

While maintaining its efforts to influence Overseas Chinese, Peiping has sought--particularly since its espousal of "coexistence"--to placate the fears and suspicions of Southeast Asians. To this end, both Chou and the chairman of the Overseas Chinese Affairs Commission have publicly exhorted Chinese not to become involved in the politics of their country of domicile.

After months of negotiations, Communist China and

Indonesia concluded a treaty in late April dealing with the thorny problem of dual nationality held by Overseas Chinese.

According to the treaty, the Chinese in Indonesia must choose either Indonesian or Chinese Communist citizenship within two years of the treaty's ratification. A possible loophole which the Communists can exploit is a provision that Chinese choosing Indonesian citizenship who subsequently leave Indonesia to reside elsewhere automatically lose such citizenship if they regain Chinese Communist citizenship.

The Indonesian government professes to be well pleased with the treaty, and Peiping is holding it up as a model to other countries in Southeast Asia.

There are indications, however, that many Overseas Chinese are seriously disturbed. They realize that implementation of such a treaty will force them off the fence and that they will henceforth be liable to stricter controls, regardless of their choice.

Moreover, the treaty provides that the Chinese can choose only Chinese Communist or Indonesian citizenship. This will be an effective impediment to any open manifestation of pro-Formosa sentiment. It will become increasingly difficult for the Overseas Chinese to serve two masters--the rulers of China to whom they instinctively look for protection and the rulers of their country of residence where they make their living.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

9 June 1955

AUSTRIA AND THE DANUBE

Once the new Austrian state treaty has been ratified, renewed efforts can be expected on the part of Austria to regain its prewar position as the major shipping power along the entire Danube River. The Austrians have had some success in this direction since 1953, and success in further efforts would of necessity involve closer ties with the Soviet bloc.

Background

Prior to 1948, navigation on the entire Danube was regulated by the Danube Commission, which derived from the 1921 Paris Statute on Danube Navigation. In addition to the riparian countries, France, Britain, and the United States were members.

Postwar disputes between the Western powers and the USSR over freedom of navigation culminated in late 1948 in the formation of the Eastern Danube Commission. This was based on the Belgrade Convention for Navigation on the Danube, which had been signed in the spring of 1948 by the USSR and the new Communist Satellite governments concerned. The commission continued to function even after the Tito-Cominform break.

The Western powers have consistently refused to recognize the authority of the Eastern Danube Commission and have operated instead a separate regulatory body, whose de facto authority is limited to the part of the river above Linz. Although the Soviet bloc made provisions to include Austria in an observer status in the Eastern Danube commission, Vienna has refrained from participating.

In the past two years, Austria has negotiated separate navigation agreements with Czechoslovakia, Hungary, Rumania,

Bulgaria and Yugoslavia. The conclusion of a similar bilateral agreement with the USSR would open the entire length of the river to Austrian shipping.

On 23 May, Soviet ambassador Ilychev in Vienna invited the Austrians to join the Eastern Danube Commission. After consulting Western representatives, Foreign Minister Figl replied that the West was unalterably opposed to such a move and that he did not feel the period prior to complete ratification of the new state treaty would be a proper time for this step. Ilychev then indicated that the invitation would be re-extended after Austria had its full independence.

Up to now the Austrian government has feared that association with the Belgrade convention would give the USSR another means of exerting pressure and influence on Austria and would earn the displeasure of the Western powers. Vienna has also felt that even without such association, the bilateral navigation agreements with the Satellites would lead to increased trade and economic benefits.

**Benefits of Joining
The Orbit Commission**

Full membership in the Eastern Danube Commission would give the Austrians certain advantages.

The bilateral navigational agreements which Austria has with all the other riparian states except the USSR are subject to denunciation each year on three months' notice. Adherence to the Belgrade Convention would put these navigational rights on a more permanent basis.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

9 June 1955

Moreover, Austrians generally believe that policies affecting Danube affairs should be determined by the riparian countries only, and in the past there has been some resentment of American, British, and French participation in the determination of these policies. Many Austrians feel that the Belgrade convention could guarantee freedom of navigation on the river no less effectively than the Paris statute of 1921.

After Austria has full sovereignty, Moscow may make Vienna's signature of the Belgrade convention a condition for an Austrian-Soviet bilateral navigation agreement. In any case, Austrian shipping will continue to be excluded from traveling the full length of the Danube until Soviet approval is given.

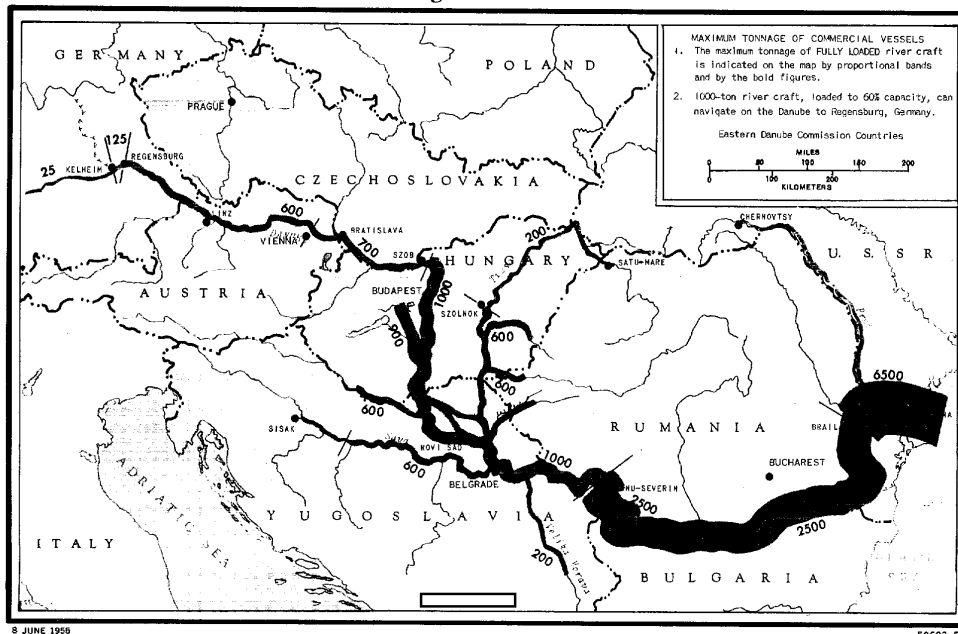
The Austrian government has been under pressure from a small group of businessmen and government officials who see no harm in participating

in the Eastern Danube Commission. An observer status, they felt, would at least keep Austria informed on the activities of the commission. The Austrian observer might also be in a position to present Western views, even though his influence might be small.

West Germany has also pressed Austria to join the Eastern Danube Commission.

When Austria and Hungary were negotiating their bilateral agreement in 1952 and early 1953, West German waterway authorities reportedly urged their Austrian counterparts to seek participation in the commission in the expectation that it would ensure greater utilization of the German fleet on the upper Danube and eventually lead to German inclusion on the commission. With support from Austria and Yugoslavia, the West Germans hoped to open the way to German shipping through reciprocal agreements

Commercial Navigation in the Danube Basin

**SECRET**

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

9 June 1955

with the rest of the Danube countries.

The Bonn government apparently envisaged at that time the formation of an Austrian-German-Yugoslav bloc which could urge revision of the Belgrade Convention. The Austrians gave the West Germans no encouragement, however, and in 1953, when the USSR suddenly permitted West German shipping to travel the Danube as far as Vienna, these pressures from Bonn ceased.

Probable Future Developments

As a "neutral" power, Austria may find it diplomatically embarrassing to participate in such Western European organizations as the Coal-Steel Community and the Organization of European Economic Co-operation while turning a cold shoulder to the Eastern Danube Commission.

The West Germans, hoping for a restoration of Germany's

full rights as a riparian power and with eventual German participation in the Eastern Danube Commission in mind, may also again encourage the Austrians to join.

For the present at least, both the Austrians and West Germans can be expected to proceed cautiously in expanding their shipping and trade on the river.

If the Austrians and West Germans had full membership in the Eastern Danube Commission and gained the full co-operation of the Yugoslavs, fairly effective countermeasures against Soviet bloc harassments would be possible in Yugoslav waters and, to a lesser extent, in West German and Austrian waters.

There seems little likelihood that the Soviet bloc would ever permit the Austrians to regain the proportion of Danube shipping they controlled in prewar years.

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Next 1 Page(s) In Document Exempt