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1 September 1955

# CURRENT INTELLIGENCE WEEKLY SUMMARY

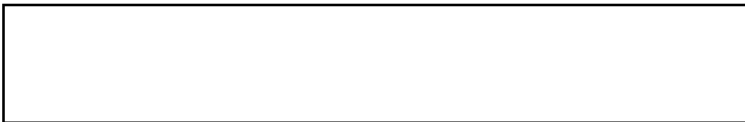


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OFFICE OF CURRENT INTELLIGENCE

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CURRENT INTELLIGENCE WEEKLY SUMMARY

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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

EGYPTIAN-ISRAELI SITUATION . . . . . Page 1

The Israeli attack late on 31 August against an Egyptian military post at Khan Yunis in the Gaza strip underlines the danger that the situation may get out of control. [redacted]

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PART II

NOTES AND COMMENTS

Soviet Approach to UN Disarmament Talks: In the first meetings of the five-nation UN disarmament subcommittee talks, Soviet delegate Sobolev has adopted the patient and tolerant manner that Moscow refers to as "the Geneva spirit." Sobolev has reiterated Moscow's willingness to consider the disarmament plans of Western nations--especially the President's plan for blueprint exchange and aerial inspection--as well as its own. [redacted] . . . . . Page 1

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Guided Missile Sites in the Moscow Area: Moscow's air defense has been strengthened over the past two years by installations which are probably launching sites for ground-to-air guided missiles. [redacted] Page 1

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Withdrawal of Soviet Forces from Austria Nearly Completed: The withdrawal of Soviet ground forces and tactical air units from Austria was nearly completed by 29 August. Rail shipments indicated that the bulk of the tactical forces were being withdrawn to the USSR. [redacted] Page 3

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Air-raid Shelter Program in Satellites: Numerous reports indicate that several of the European Satellites, following the leadership of the USSR, have made it compulsory to include air-raid shelters in new public buildings, factories, stores, and masonry apartments. [redacted] . . . . . Page 4

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Murmansk-Pechenga Railroad: A new railway line running from Murmansk to Pechenga is now in operation. It provides the first rail transportation to the port of Pechenga, to the nickel mining and smelting facilities in the area, and to one of the six potential medium or heavy bomber staging bases in the Kola Peninsula. It will permit greater dispersal of air units in the area. [redacted] Page 4

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USSR Shows Interest in Aircraft Carriers: Although there is no evidence that the Soviet Union possesses or is constructing an aircraft carrier or that any Soviet aircraft are specifically designed for operating from a carrier, Soviet military attachés are reportedly showing increasing interest in British carriers.

[redacted] . . . . . Page 6 25X1

Sino-Egyptian Trade Agreement May Lead to Recognition: The signing on 22 August of a three-year Sino-Egyptian trade agreement, the first Chinese Communist trade agreement with a country in the Near East, seems to move Peiping closer toward gaining recognition from a country in that area. Fulfillment of the agreement, by which China undertakes to exchange annually 60,000 tons of steel products for cotton, will further Peiping's claim that its rapid industrialization is permitting exports of industrial goods to meet the import needs of underdeveloped countries.

[redacted] Page 7 25X1

American-Chinese Talks: The Chinese Communists at Geneva continue to refuse to commit themselves to an early deadline for the release of all Americans still detained in China. It still seems a toss-up whether Peiping will agree to such a deadline if the alternative is termination of the talks and public awareness of the positions taken.

[redacted] Page 8 25X1

French North Africa: The French cabinet's acceptance of the "package deal" whereby both Resident General Grandval and Sultan Mohamed ben Arafa are to be removed is not likely to relieve the serious tension in Morocco. In Algeria, rebel activities continue despite strong French countermeasures. Instruments of ratification of the French-Tunisian conventions have been exchanged in Paris and the conventions are expected to become effective in mid-September.

[redacted] . . . Page 8 25X1

Afghan-Pakistani Dispute: A new Turkish offer to mediate the Afghan-Pakistani dispute is endorsed by Pakistan and may be accepted by Afghanistan.

[redacted] . . . Page 9 25X1

Yugoslav Attitude Toward Foreign Aid: The Yugoslavs last week made an effort to explain away Vice President Vukmanovic-Tempo's 20 August denunciation of Battle Act restrictions and adopted a more co-operative attitude regarding the "technical questions" connected with US inspection of the military aid program in Yugoslavia.

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[redacted] . . . . . Page 10

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Widespread Strikes Anticipated in France: The most extensive French strikes since the nationwide outbreak of August 1953 are expected this fall unless large wage concessions are forthcoming soon. The Communist-controlled General Labor Confederation is making a strenuous effort to force the Socialist-oriented Force Ouvriere and the Christian Workers Confederation to co-operate with it in a drive for wage negotiations at the national level. [redacted] . . . . Page 11

Communist-led Strike May be Imminent in Costa Rica: A Communist-led strike in the United Fruit Company's Laurel District in Costa Rica is threatened for 14 September. A strike in this area could spread to the company's other banana workers in Costa Rica and Panama, and might result in increased Communist-led labor strength in both countries. [redacted] . . . . Page 12

Labor Unrest Mounts in Chile: The current strike of some 50,000 Chilean civil servants for a 60-percent wage increase reflects labor's growing unrest as a result of the steady depreciation of real wages over the past several years. Inflation in Chile continues uncontrolled. Labor leaders of the non-Communist left apparently are trying to force the creation of a left-wing cabinet or to force President Ibanez out of office. [redacted] . . . . Page 12

Argentine Political Situation: The dramatic staging of President Peron's resignation offer and its firm rejection by Peronista organizations on 31 August has probably achieved the obvious objective of strengthening the president's position by demonstrating his strong popular support. Peron's declared intent to impose "pacification" will mean that arrests and tension will continue at least until there is a decline in antigovernment attacks and plotting. [redacted] . . . . Page 13

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**PART III**

**PATTERNS AND PERSPECTIVES**

**THE SOVIET DISARMAMENT POSITION . . . . . Page 1**

In the crowded schedule of international negotiations set for the next few months, the USSR seems likely to give high priority to the disarmament problem. Soviet agreement to concrete steps in this field could persuade the NATO nations of the political and financial advantages of "peaceful coexistence"--without materially reducing Soviet military strength in the process. The USSR probably hopes that if it appears reasonable and offers dramatic "deeds" like the recent demobilization of part of its armed personnel, Western resolve to maintain the strength of the Atlantic coalition will gradually diminish. [redacted]

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**TRENDS IN BRITISH COLONIAL POLICY . . . . . Page 5**

In response to the accelerated pace of political development in many of its overseas dependencies, Britain is considering momentous adjustments in its colonial policies. In full awareness of its diminishing means of direct control, London is now seeking a way to advance the colonies toward autonomy while trying to assure that they remain stable in the process. [redacted]

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PART I

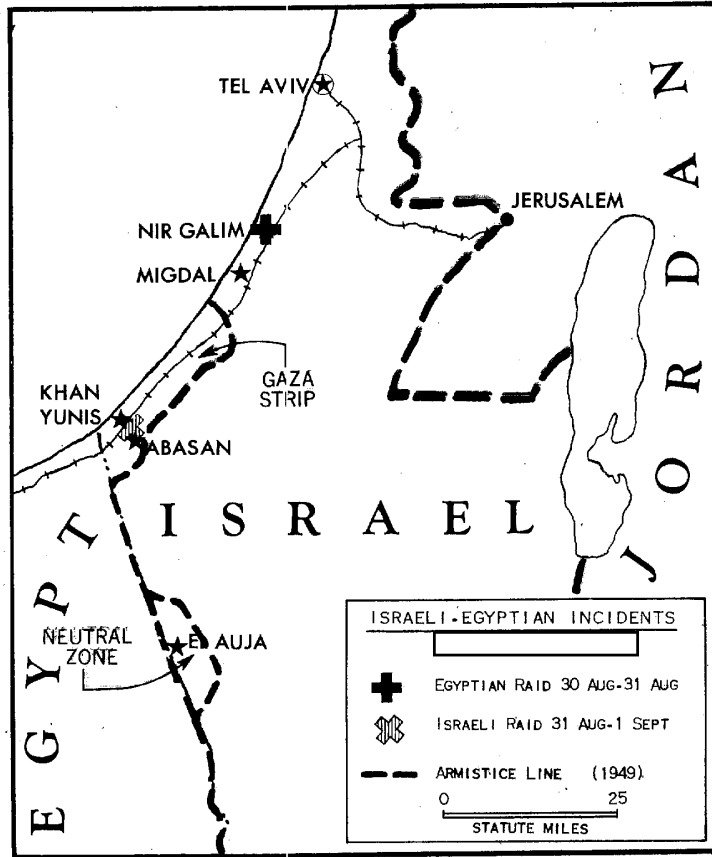
OF IMMEDIATE INTEREST

EGYPTIAN-ISRAELI SITUATION

The Israeli attack late on 31 August against an Egyptian military post at Khan Yunis in the Gaza strip underlines the danger that the situation may get out of control.

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This "large-scale" attack, according to an Israeli army spokesman, was in retaliation for the destruction of a village 25 miles from Tel Aviv by Egyptian raiders during the night of 30-31 August, or only a few hours after Egypt had accepted UN Truce Supervisor Burns' proposals for a cease-fire agreement. Israel had made no further reply to Burns' proposals for a cease-fire since its letter of 30 August stating that it cannot accept them until Egypt admits responsibility for starting the recent series of raids.



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**PART II****NOTES AND COMMENTS****Soviet Approach to UN Disarmament Talks**

In the first meetings of the five-nation UN disarmament subcommittee talks, Soviet delegate Sobolev has adopted the patient and tolerant manner that Moscow refers to as "the Geneva spirit."

While Sobolev has not yet entered into substantive discussions on any point, he has reiterated Moscow's willingness to consider the disarmament plans of Western nations--especially the President's plan for a blueprint exchange and aerial inspection--as well as its own. Sobolev has made it clear, however, that the USSR considers that its 10 May proposals "remain the most effective and realistic" of all the plans. The Soviet proposals and the President's plan probably will occupy the major portion of the subcommittee's work during the coming weeks.

While most Communist commentaries have reported the subcommittee talks with an air of optimism, the Czech radio on 30 August expressed some doubt that the work of the subcommittee would be easy. The broadcast insisted that "ruling circles in the West" would try to "disturb" the atmosphere of international relaxation achieved at Geneva, and for this purpose would undoubtedly make full use of the President's 24 August Philadelphia speech. This speech, it said, "considerably departed from the spirit of Geneva." Moscow has refrained from linking the President's speech with the subcommittee talks and has thus far avoided any comment on it. TASS reporting of the speech covered only the points most in harmony with "the Geneva spirit."

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**Guided Missile Sites In the Moscow Area**

Moscow's air defense has been strengthened over the past two years by the construction of installations which are probably launching sites for ground-to-air guided missiles.

Approximately 60 of these installations [redacted] in a belt 25 miles deep which extends three fourths of the way around Moscow. When duplications are eliminated and the sites in the remaining fourth of the belt are located, it is estimated that there will be approximately 40 such installations ringing Moscow at an average distance of

30 miles from the center of the city. At present, four of the sites, under construction since June 1953, appear to have been completed, and another eight are probably capable of limited use.

Ninety percent of all observed installations are of the same general configuration, which consists of three characteristic and interconnected facilities: a herringbone layout of roadways, a large bunker which may serve as a control and communications center, and a domestic area of permanent buildings which could house more than 400 men.

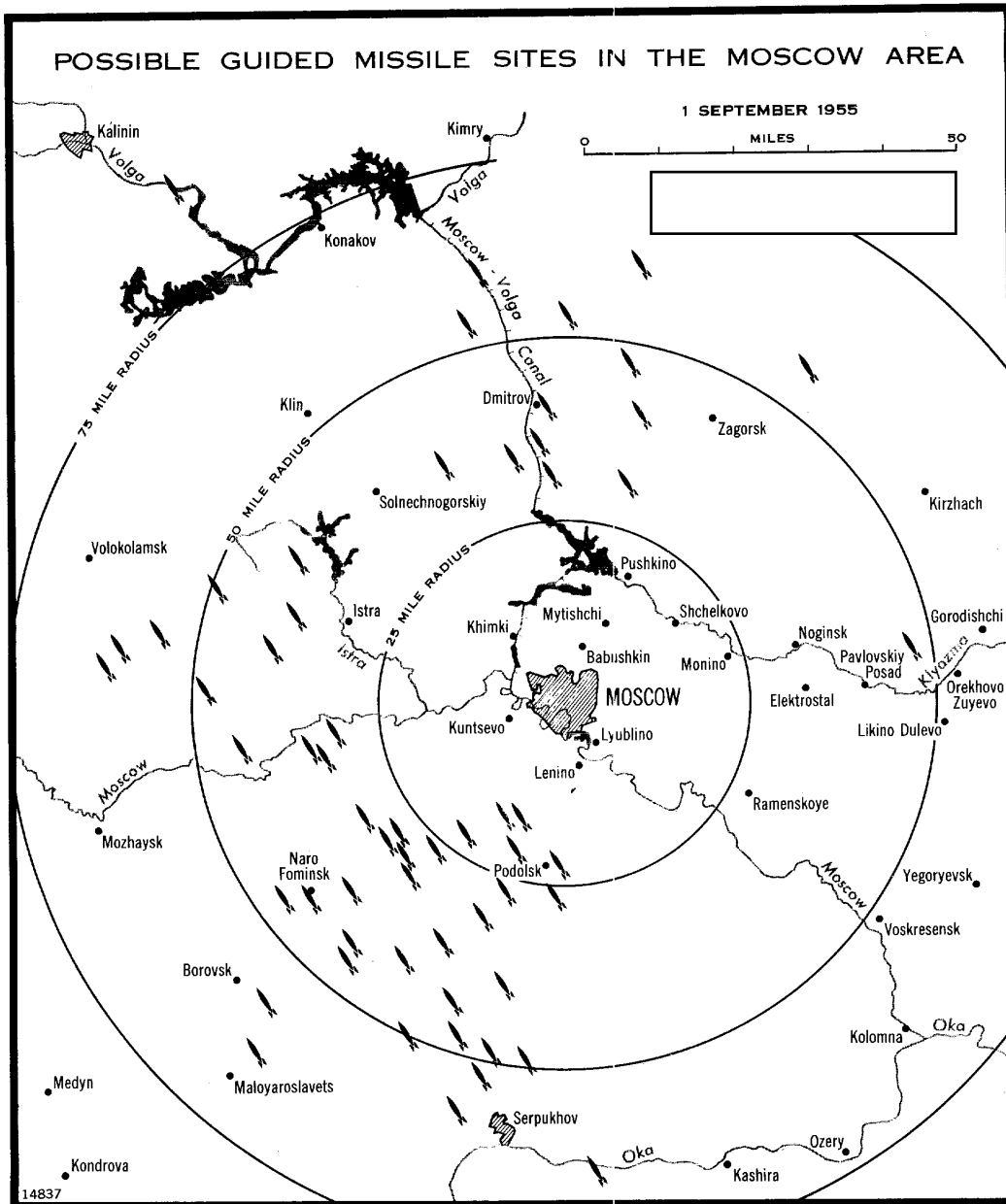
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The herringbone road complex, which is approximately one mile long and a half mile wide, consists of three longitudinal and 10 to 12 transverse roadways, with the spine of the system aligned with the center of the city. The missiles apparently are launched from saw-tooth recesses or bays

along each end of the transverse roads. Each installation has approximately 60 of these bays.



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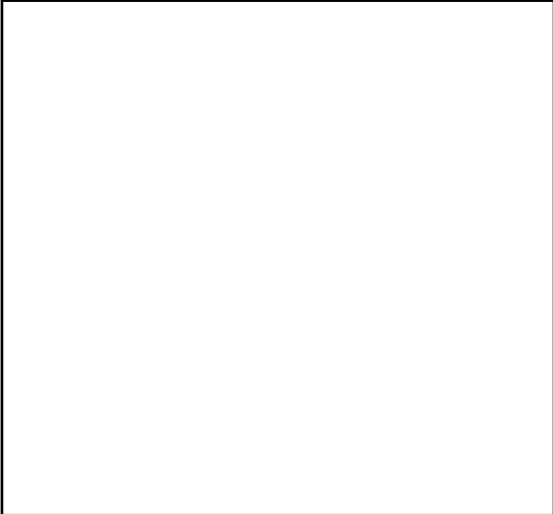
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Assuming that each saw-tooth bay contains one launcher with two reloads, 180 weapons would be required for each installation--7,200 for the 40 estimated sites in the Moscow area.

[Redacted] (Concurred in by OSI)

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Withdrawal of Soviet Forces From Austria Nearly Completed

The withdrawal of Soviet ground forces and tactical air units from Austria was nearly completed by 29 August. Rail shipments indicated that the tactical forces were being withdrawn to the USSR.

Preparations for the air movement observed during the first half of the month included the removal of radar, antiaircraft artillery, and oil storage tanks from airfields. The first movement of air force personnel was noted on 11 August, when headquarters and support personnel departed by rail.

The evacuation of Soviet aircraft from Austria apparently began on 19 August, with the departure of a reconnaissance

regiment from Vienna-Aspern airfield, and continued through 24 August. The movement involved six Soviet regiments equipped with a total of approximately 190 FAGOTS (MIG-15's).

The withdrawal of Soviet ground forces, beginning 4 August, was also nearly completed by 29 August. A maximum of 30,000 Soviet personnel of an estimated 35,000 total have now been withdrawn from Austria via Higyesholom, Hungary. The rail route of these departing forces indicates that the bulk are moving back to the USSR, although small ground force elements were reported moving to Germany early in August.



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**Air-raid Shelter Program  
In Satellites**

Numerous reports indicate that several of the European Satellites, following the leadership of the USSR, have made it compulsory to include air-raid shelters in new buildings. A program incorporating air-raid shelters in public buildings, factories, stores, and masonry apartments was in operation in many areas of the USSR by 1952, and a similar program began in the Satellites in 1953.

A recent report from Bulgaria states that the building regulations introduced on 1 January 1955 specify construction of underground shelters in new apartment houses, with multistory dwellings to have shelters two stories below ground. Czechoslovakia has a general policy requiring the inclusion of shelters in plans drawn for all government buildings, apartments, and factories. While there is not enough information available on Czechoslovakia to document complete implementation, there

is evidence of shelters in at least some new construction.

Reports from Hungary indicate that in 1954 air-raid shelters in factories were constructed in accordance with "general regulations," and that each industrial enterprise was ordered to recondition old shelters or build new ones. Building plans furnished Poland by the USSR are reported to include heavy foundations and air-raid shelters for all new housing blocks in Warsaw. The American air attaché in Warsaw has also received a report from a fairly reliable source that bomb shelters have been included in all new buildings in Warsaw.

The short time this program has been in operation has enabled it to provide for only a small proportion of Satellite requirements. It does, however, indicate the existence of a coordinated Soviet bloc civil defense system modeled on the Soviet pattern. [redacted]  
(Prepared by ORR)

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**Murmansk-Pechenga Railroad**

A new railway line running from Murmansk to Pechenga is now in operation. It provides the first rail transportation to the port of Pechenga, to the important nickel deposits near Nikel, and to one of the six potential medium or heavy bomber staging bases on the Kola Peninsula. It will permit greater dispersal of air units in the area.

[redacted] The line passes near or through Luostori (Pechenga airfield) and possibly terminates eight miles north of Pechenga at the port of Pechenga (Linakhamari), which is open all year to ships of all sizes.

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Besides the further development of the port of Pechenga, one of the principal economic reasons for the construction of this railroad was to improve access to the Pechenga nickel deposit--one of the most

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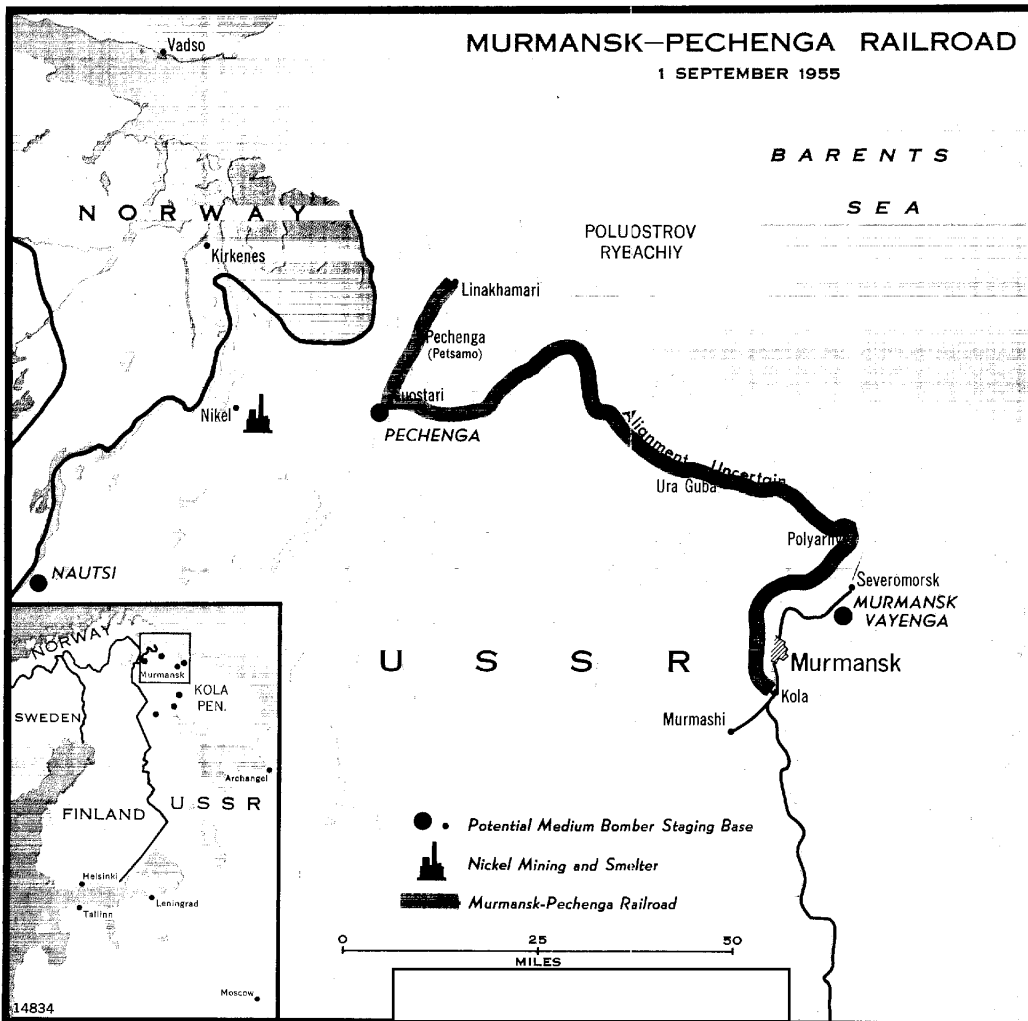
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important in the USSR. At present Nikel has a smelting plant producing 10,000 tons of nickel annually which is transported to a refinery at Monchegorsk, south of Murmansk, where approximately 25 percent of the USSR's refined nickel is produced.

That a sizable expansion of nickel production is contemplated is seen in the construction of three power plants in the Pechenga area by a Finnish company. The second plant was put into operation

on 10 August 1955, and the Finnish press has reported that construction of the third may begin soon. These three plants will provide a three-fold increase in the electric supply of the area.

Extension of the railroad system to Pechenga, location of a potential medium or heavy bomber staging base, has increased the importance of the Kola Peninsula as a staging area. The logistical support provided by the new railroad would permit air units to be



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dispersed along the northern rim of the Kola Peninsula instead of concentrated in the Murmansk area. This in turn would facilitate effective employment of naval jet light bombers and provide greater

protection for the six airfields in this area which would be logical choices for staging medium or heavy bomber operations against North America. [redacted] Prepared jointly with ORR)

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USSR Shows Interest  
In Aircraft Carriers

The USSR has reached a stage in its postwar naval expansion program at which it would be logical for it to build an aircraft carrier. Soviet naval regulations promulgated in 1948 assigned a predominantly offensive role to the Soviet navy in marked contrast to the defensive role played by Soviet naval forces in World War II. Since 1948, the USSR has created a powerful naval striking force, consisting of large numbers of long-range cruisers, destroyers and submarines, which may indicate an intention to operate beyond the range of land-based aircraft.

Although there is no evidence that the Soviet Union possesses or is constructing an aircraft carrier, or that any Soviet aircraft are specifically designed for operating from a carrier, Soviet military attachés are showing increasing interest in British carriers.

In May 1955 the Soviet naval attaché in London visited the British carrier Albion.

Subsequently, the Soviet naval attaché in London wrote

to the British Admiralty suggesting an exchange of visits aboard a modern British carrier and a modern Soviet naval vessel. It is probably this proposal which led to the recently announced British plans to send two carriers and four destroyers to visit the USSR this October.

The American naval attaché in London reported on 8 July that the Soviet naval attaché and two assistants had again visited a British carrier, this time the Centaur, at Portsmouth. The visitors went directly to the normal location of the mirror landing sight, a new type of landing aid developed by the British and being installed on some American carriers, and expressed disappointment when informed that this was not fitted on the Centaur.

The Russians asked numerous questions on carrier design, covering the speed of the bomb hoist, the speed of the plane elevator, and the thickness of the hangar deck armor.

[redacted] these developments might reflect nothing more than Soviet interest in collecting intelligence on the British navy. On the other hand, there are fragments of information which suggest the possibility that a carrier is being constructed in the USSR. Barriers were recently erected around a large hull which has

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been under construction on the battleship slip of the Baltic Shipyard in Leningrad since 1953, obviously in an attempt to prevent further scrutiny of this hull by Western attachés.

The Russians have the capability to build aircraft

carriers. Following World War II, the USSR obtained original German plans for an aircraft carrier and probably acquired a complete propulsion plant suitable for installation in such a vessel.

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Sino-Egyptian Trade Agreement  
May Lead to Recognition

The signing on 22 August of a three-year Sino-Egyptian trade agreement, the first which Peiping has concluded with a country in the Near East, seems to move Peiping closer toward gaining recognition from a country in that area. Fulfillment of the agreement, by which China undertakes to exchange annually 60,000 tons of steel products for cotton, will also further Peiping's claim that its rapid industrialization is permitting exports of industrial goods to meet the import needs of underdeveloped countries.

Preliminary negotiations which led to these formal trade relations were probably instituted shortly after the Bandung conference of April 1955 where Chou En-lai and Egyptian premier Nasr indicated an interest in the development of official contacts. Cairo undoubtedly is attempting to maintain its announced neutralist position as well as to find a market for cotton surpluses.

That political goals are primary in Peiping's mind is borne out by the conclusion of the first annual protocol to the three-year agreement, whereby Communist China will export

60,000 tons of domestically scarce steel products for 15,000 tons of Egyptian cotton. This protocol accounts for only about one half of the \$56,000,000 trade goal for the first year under the trade agreement. Supplementary cotton-steel contracts during the effective period of the first protocol will probably fulfill the announced trade goal.

Communist China's export of steel products--of prime necessity to its planned industrial expansion--indicates the importance which Peiping places on the establishment of relations with Egypt.

Until the conclusion of the present trade agreement, imports of cotton from Egypt, which are required by China's textile industry, have been paid for in cash. In 1954 China imported about 10,000 tons of Egyptian cotton and imports during 1955 reached about 20,000 tons, because of China's poor domestic crop in 1954.

The trade agreement provides, in addition to barter terms of trade, that commercial representatives are to be

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exchanged. This is probably the key provision in an effort to secure Egyptian recognition, which Peiping undoubtedly hopes will set a precedent for other states of the Arab bloc.

Chou En-lai reportedly plans to visit Egypt before the end of the year, at which time Egypt may agree to recognize Peiping and exchange diplomatic representatives.

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American-Chinese Talks

The Chinese Communists at Geneva continue to refuse to commit themselves to an early deadline for the release of all Americans still detained in China. It still seems a toss-up whether Peiping will agree to such a deadline if the alternative is termination of the talks and public awareness of the positions taken.

Chinese Communist representative Wang Ping-nan this week confirmed that Peiping has dropped its request for the names of all Chinese nationals in the United States. Moreover, Ambassador Johnson believes that Wang has accepted an American formula under which the Indian embassy would be restricted to investigating the cases only of those Chinese who feel they are being prevented from returning.

There has been no further progress, however, on the issue of the 40 or more Americans still detained.

Wang has been careful not to encourage any belief that he will eventually agree to a definite deadline, such as three months. On the contrary, he has insisted that Peiping can "never" so agree.

Wang's arguments continue to suggest that Peiping has several reasons for wishing to hold back some of the Americans indefinitely. Among them are a desire to save face, to ensure satisfactory action on Chinese in the United States, and to secure additional concessions as the Geneva talks develop.

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French North Africa

The French cabinet's acceptance of the "package deal" whereby both Resident General Grandval and Sultan Mohamed ben Arafa are to be removed is not likely to relieve the tension in Morocco. In Algeria, rebel activities continue despite strong French countermeasures. Instruments of ratification of the French-Tunisian conventions have been exchanged in Paris,

and the conventions are expected to become effective in mid-September.

**French Morocco:** The French cabinet has reluctantly approved the removal of Moroccan sultan Mohamed ben Arafa and accepted Resident General Grandval's resignation. Popular feeling among Moroccans in support of

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Grandval is so high that the delay in Ben Arafa's departure envisaged by the French cabinet may have to be abandoned in order to avert fresh violence.

French settlers who were primarily responsible for forcing Grandval's resignation continue to support Ben Arafa and may attempt to prevent his departure. The settlers are unlikely to welcome General Pierre Boyer de Latour, who is slated to succeed Grandval. Boyer de Latour's recent firmness in dealing with the reactionaries among French settlers in Tunisia makes him unwelcome to the settlers in Morocco.

Isolated terrorism and sabotage, particularly of telephone and telegraph lines, continue.

Algeria: The state of emergency, which was demanded by the French settlers, has now been extended to all Algerian departments. Guerrillas continue their activities in eastern Algeria.

Meanwhile, the settlers are seeking to block the reforms proposed by Governor General Soustelle, which are

scheduled for discussion by the Algerian Assembly in late September. Extremist settler groups are also seeking to discredit Soustelle, probably hoping to force his recall or resignation.

Tunisia: The formal exchange of instruments of ratification in Paris on 31 August was the final step prior to implementation of the French-Tunisian conventions. The agreements apparently are scheduled to be operative beginning in mid-September, but the entire process of putting them into effect is expected to take at least 20 years.

Habib Bourghiba, Nationalist Neo-Destour leader, is reported to be planning for Tunisian elections at the end of September. Since both the Tunisian bey and the French community object to the principle of direct popular election of a parliamentary body, any early elections are most likely to be limited and local in nature.

Widespread unemployment and the serious economic dislocation which resulted from the recent drought are becoming the most pressing problems in the area.

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Afghan-Pakistani Dispute

Turkey has again offered to mediate the Afghan-Pakistani dispute.

Turkey's original offer to mediate the quarrel only if Afghanistan would renounce Push-toonistan propaganda completely was rejected by Kabul early in August. After consultation with Pakistan, the Turks have now indicated their willingness to mediate if propaganda is limited to "cultural and

scientific" discussion of Push-toonistan. The Pakistani government has urged the United States to give strong support to the Turkish effort. Although generally considered to be "pro-Pakistani," the Turks command respect in Afghanistan, which may, therefore, accept the new offer. Turkey has been reluctant to re-enter the confused situation and is likely to withdraw if either side shows signs of further intransigence.

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Yugoslav Attitude  
Toward Foreign Aid

The Yugoslavs last week made an effort to explain away Vice President Vukmanovic-Tempo's 20 August denunciation of Battle Act restrictions and adopted a more co-operative attitude regarding the "technical questions" connected with US inspection of the military aid program in Yugoslavia.

Yugoslav ambassador Vidic told Ambassador Bohlen in Moscow on 28 August that Vukmanovic, in his attack on the Battle Act, did not mean to imply that the Yugoslavs could no longer accept the terms of the act. Instead, he merely had been putting forth his government's view that the improved international situation made trade restrictions no longer necessary. In a conciliatory tone, Vidic said that his government fully understood the Battle Act and that he realized the executive branch of the American government must abide by the laws connected with foreign aid. He reiterated strongly his government's desire for continued economic aid from the United States.

On 27 August Yugoslav foreign secretary Popovic, taking the initiative in a conversation with Ambassador Riddleberger, emphasized how necessary he felt it was to settle the questions concerned with the US military aid program which were threatening US-Yugoslav relations. He agreed that there was much logic in the American position and said that he himself would discuss the points involved with Yugoslav military officials. It was agreed that

Yugoslav and American military officials would take up the problems in September, following which Popovic and Ambassador Riddleberger would examine unresolved difficulties.

Riddleberger found Popovic's conciliatory attitude in marked contrast to his previous approach to this issue. The ambassador also noted that the Yugoslav government has recently made a slight concession by permitting a small increase in the size of the US military assistance staff.

Belgrade apparently wants to avert a crisis in its relations with the United States, wishing to avoid termination of American economic aid at least until it knows what the USSR will offer in the economic negotiations now going on in Moscow. In any event, the Yugoslav government is not likely to choose voluntarily a course that would make it dependent on the USSR alone for economic assistance.

According to Ambassador Vidic, his government is seeking through the Vukmanovic visit to Moscow to expand the basis for Yugoslav-Soviet trade; it is particularly desirous of getting wheat, cotton, and oil. One Yugoslav official has said he hopes to get the latter two items on five-year credit terms at 1-percent interest. Vidic has confirmed that the USSR has offered a gold loan at 2 percent, and he considers it probable that the USSR would agree to financing in their entirety individual Yugoslav enterprises as well as supplying equipment.

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Widespread Strikes  
Anticipated in France

The most extensive French strikes since the nationwide outbreak of August 1953 are expected this fall unless large wage concessions are forthcoming soon. The Communist-controlled General Labor Confederation (CGT) is making a strenuous effort to force the Socialist-oriented Force Ouvriere and the Christian Workers Confederation (CFTC) to co-operate with it in a drive for wage negotiations at the national level.

The seriousness with which the government views the labor situation was apparent on 25 August when Premier Faure found time during his brief return to Paris from the negotiations at Aix-les-Bains on Morocco to call a meeting of his labor, finance, and interior ministers to discuss the problem. The government plans to facilitate labor-employer negotiations, and hopes that increased productivity will allow wage hikes without price rises.

The labor agitation which flared up in June and July was probably checked only because many plants close or sharply reduce operations during the paid vacation period from mid-July through August. Near insurrectional strikes broke out in the St. Nazaire and Nantes shipyards during this period. During these strikes the CGT undertook to train militants in leadership and unity-of-action tactics. Non-Communist unions have traditionally cooperated with the CGT in the shipyards, and the CGT has played up the results there as an example of what unity of action could lead to on a national scale.

The secretary general of the CGT, Benoit Frachon, publicly asked the president of the employers' association on

22 August to begin wage negotiations at the national level "with the labor confederations." This was evidently aimed at forestalling any move by the government and management to negotiate with the non-Communist unions only.

Frachon implied that there would be agitation in the fall by the Paris region metalworkers, the traditional shock troops of large-scale labor action. On 23 August the CGT metalworkers union denounced as "nonexistent" the agreements concluded in July with the CFTC and Force Ouvriere, and called for "tightly controlled unity-of-action demands."

On 25 August the CGT civil servants union renewed demands which had supposedly been settled, and this move has been interpreted as evidence that the CGT will unleash a general strike movement in the fall.

In their efforts to counter the Communists' bids for labor power, the non-Communist unions are handicapped by inadequate leadership and organization and by management's attitude. Management is absolutely opposed to a general rise in wages and recently expressed alarm at the "unexpected trend" toward support by conservative governments of labor's demands.

Moreover, prospects for collaboration between the non-Communist labor organizations have been reduced since July when the government settled the civil servants' strike threat through an agreement with Force Ouvriere. This enhanced chances for the CGT to win support from the CFTC, which has always been more inclined than the Force Ouvriere to unity of action with the Communists.

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**Communist-led Strike  
May Be Imminent in Costa Rica**

A Communist-led strike in the United Fruit Company's small Laurel District in Costa Rica is threatened for 14 September. A strike in this area might spread to the company's 18,000 other banana workers in Costa Rica, and possibly to its 12,000 workers in Panama. The end result may be an increase in Communist-led labor strength in both countries.

The leader of the current strike agitation is Isaias Marchena, Communist labor boss in the banana zone on Costa Rica's Pacific coast.

Marchena, who returned in September 1954 from three months of training at the Communist World Federation of Trade Unions school in Budapest, has thus far carefully observed Costa Rica's complex labor laws. After a second balloting of the Laurel workers showed over 60 percent in favor of a strike, the government's labor court was obliged on 25 August to declare that a strike, after a 20-day period for further negotiations, would be legal.

In concentrating on the 1,500 workers at Laurel, the Communists have struck at the company's weakest point in Costa Rica. Unlike the major company divisions in Costa Rica, the Laurel District, located on the Panamanian border, is administered by the

company's subsidiary in Panama, and the Laurel workers have not been treated as well as the company's other Costa Rican workers.

A strike by the Laurel workers might well lead to a sympathy walkout by the easily aroused labor force of the company's larger divisions in Costa Rica. It could also spread to the company's plantations in Panama, which have heretofore been relatively free of Communist agitation. Such a general walkout by workers of the largest private employer in both countries might lead to increased Communist strength within Costa Rican and Panamanian labor.

In an attempt to prevent a strike, company and government officials plan to try to conclude two- or three-year contracts with representatives of a majority of the workers, but not with the Communist leaders, in each of the company's divisions in Costa Rica. These contracts would presumably offer the workers some concessions.

The American embassy in San José believes a frank policy by the company of promoting democratic unions among its employees would do much to end the present situation in which the Communists in Costa Rica have "virtually a free hand" among the banana workers.

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**Labor Unrest Mounts in Chile**

The current strike of some 50,000 Chilean civil servants for a 60-percent wage increase reflects labor's growing unrest as a result of the steady depreciation of real

wages over the past several years. Since President Ibanez was inaugurated in November 1952, the cost of living in Santiago has increased about 270 percent, and wage increases have failed to keep pace.

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Political considerations also are involved. Left-wing non-Communist groups in CUTCH, the labor confederation which claims to represent all organized labor in Chile, apparently are trying to force the creation of a left-wing government. The Communists, however, have remained relatively quiet thus far; their party is outlawed and they evidently fear that in the event of demonstrations the government would single them out for reprisals.

The government has announced that it will not negotiate with the strikers until they return to work, and several hundred leaders of the striking workers have been arrested. The government's vigorous action is reported to have cowed the unions, and CUTCH has voted against calling a general strike.

On 29 August President Ibanez asked congress for extensive special powers for a six-month period to deal with the strikes. The initial reaction of congressional leaders to this request was not favorable, however, and previous such requests by Ibanez have been turned down. The American embassy in Santiago estimated on 30 August that congress would refuse to grant the special powers on the ground that the emergency was not sufficiently grave.

Even granting all of the strikers' demands probably would not have any lasting settling effect so long as inflation continues uncontrolled. To date no one has been able to produce an economic stabilization plan acceptable to the badly split Chilean congress, in which no single party or coalition controls anything near a majority.

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Argentine Political Situation

The dramatic staging of President Peron's resignation offer and its firm rejection by Peronista organizations on 31 August has probably achieved the obvious objective of strengthening the president's position by demonstrating his strong popular support.

A near-record crowd reportedly responded to the Peronista Party's call for members to assemble and remain in front of Peron's office until he withdrew his offer. The general strike called by the General Confederation of Labor in support of Peron was reported effective throughout the country.

Peron's address to the crowd made clear that the government's peaceful "pacification" tactics will be changed and that "pacification" will be imposed if necessary. This probably means that arrests and tension will continue, at least until there is a decline in antigovernment attacks, which have been continuing on a small scale.

The army, which has held the dominant power position in the government since the 16 June revolt and which also reportedly believes firm measures are necessary for the regime's security, may try to

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dissuade Peron from extreme repressive measures. The army's position was strengthened recently by the consolidation of virtually all of the country's internal security forces under an army general.

The violent tone of Peron's speech, which was probably stronger than the army expected, may make it difficult for the army to continue its moderate "pacification" efforts while at the same time supporting Peron. Nevertheless, the top military leadership will prob-

ably continue to support Peron as long as he co-operates in suppressing controversial figures and policies, especially those responsible for the former attacks on the church.

Anti-Peron sentiment remains strong, however, in the lower military echelons, particularly in the provinces.



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## PART III

PATTERNS AND PERSPECTIVESSOVIET DISARMAMENT POSITION

In the crowded schedule of international negotiations set for the next few months, the USSR seems likely to give high priority to disarmament. Concrete achievements in this field could demonstrate to the NATO nations the political and financial advantages of "peaceful coexistence"--without materially reducing Soviet military strength in the process.

The USSR's disarmament position undoubtedly will be based on its 10 May omnibus proposal for relaxing international tension. The disarmament section of the 10 May pronouncement seems to be a serious counterproposal to the plans previously advanced by the West. The USSR probably hopes that if it appears reasonable and offers dramatic "deeds" like the recent demobilization of part of its armed personnel, Western resolve to maintain the strength of the Atlantic coalition will gradually diminish.

Moscow may seek to avoid the complex questions at issue by pressing for specific

numerical limitations of armed personnel, which it probably regards as reasonable, mutually advantageous, and possible to effect. Moscow may be willing to make substantial reductions in its conventional military strength in order to achieve political objectives, but probably intends to maintain its nuclear strength. The divergence of views on the crucial matter of inspection and control makes an early agreement on this issue unlikely.

Basically, the Soviet proposal of 10 May would establish limitations on the troop strength of the five major powers, reduce overt military expenditures, and prohibit the use of nuclear weapons. The principal loopholes appear to be the lack of provisions for an adequate system of inspection and control and the lack of a specific limitation on conventional armaments.

Conventional Arms and Expenditures

The two-year disarmament plan would first freeze the

## PROPOSED REDUCTION OF MILITARY MANPOWER

	Present Strength	Interim Level	Ultimate Level
United States	3,304,001 (Unofficial)	2,152,000-2,402,000	1,000,000-1,500,000
USSR	3,991,000	2,496,000-2,746,000	1,000,000-1,500,000
China	2,624,000	1,812,000 -2,062,000	1,000,000 -1,500,000
France	810,000	730,000	650,000
United Kingdom	834,000	742,000	650,000

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military manpower of each of the major powers at its 1954 level and then reduce this figure during the first year by half the amount required to reach the proposed ultimate level. Military expenditures would be reduced accordingly. Reduction of manpower and expenditures would be completed during the second year of the plan.

The apparent balance of armed personnel strength which would result from the proposal may be misleading. The development of nuclear weapons, together with the ability to deliver such weapons, probably will continue to be the most decisive factor determining relative military strengths. The Soviet switch to a willingness to abandon some of the USSR's conventional strength as a first step in the disarmament schedule may represent no more than a recognition of the realities of nuclear warfare. Furthermore, aside from the gap that may exist between overt and covert military expenditures, there remains the important question of conventional equipment and materiel. The Soviet proposal calls for a reduction of armaments paralleling personnel and expenditure cuts, but nothing is said with regard to the number of such items as jet bombers, submarines or tanks.

Moscow has stipulated that a world disarmament conference should be held to fix arms and manpower

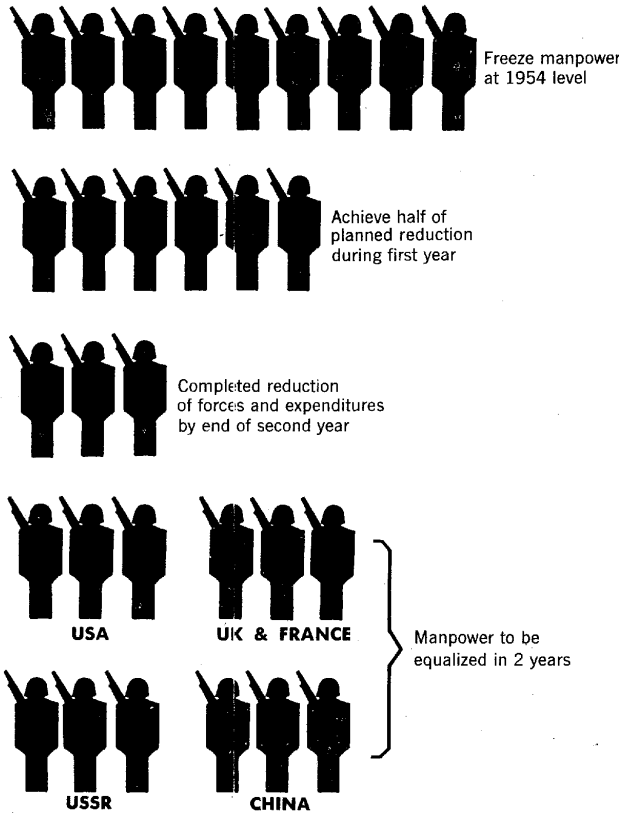
limitations for the other nations of the world--at levels to be determined by economic and political factors, but not to exceed 200,000 men for each nation. This figure was enunciated by Bulganin at Geneva.

The recent Soviet and Satellite announcements on reduction of military manpower probably are intended, in part, to give additional propaganda impetus to the manpower aspect of the Soviet proposal.

Nuclear Weapons

With respect to nuclear weapons, during the first year

**SOVIET DISARMAMENT PROPOSAL**



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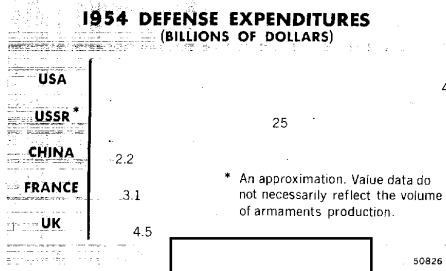
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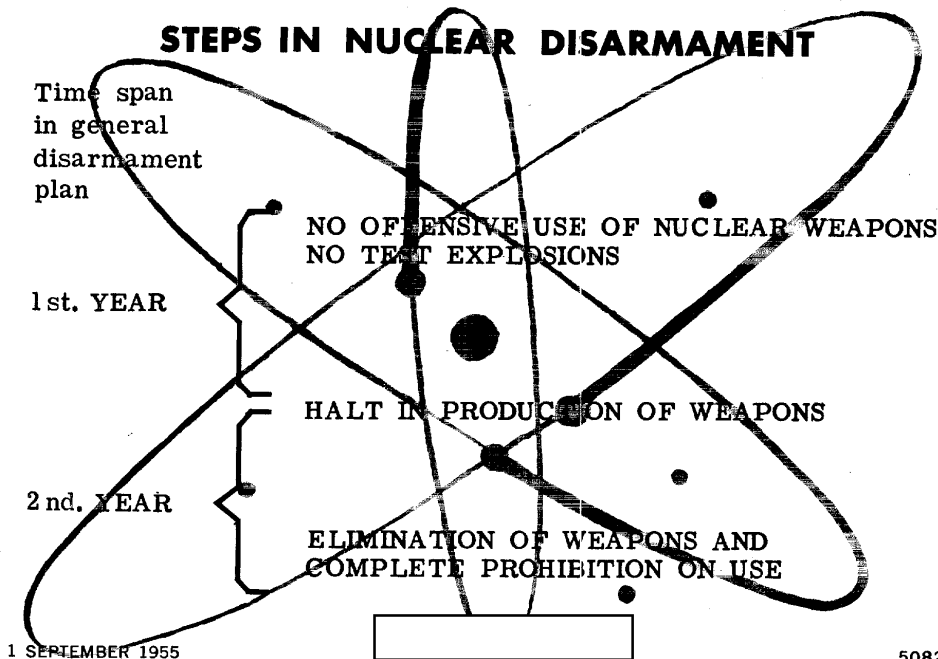
**Control and Inspection**

The Soviet disarmament plan substantially follows Western proposals, but the Soviet provision for control and inspection moves away from the framework within which control usually has been discussed. The Soviet statement asserted that under current conditions of international distrust the types of disarmament control hitherto proposed would be unreliable and unrealistic. The proposal urged that conditions of trust must first be created among nations by means of a broad political settlement and a system of warnings and guarantees against sudden aggression.

The Soviet plan contained a provision for setting up a permanent control organization, which would be allowed during the first phase of the plan to establish control posts at "big ports, railway junctions, motor roads, and airdromes."

the Soviet proposal calls for a moratorium on test explosions and agreement by the five major powers not to be the first to employ nuclear weapons. At the beginning of the second year, the production of nuclear weapons would be stopped and there would be a complete prohibition of their use after the armed forces were reduced by 75 percent of the total reduction. By this proposal, Moscow reiterates its earlier insistence that the disarmament program must be completed in such a way that conventional and nuclear disarmament are completed simultaneously.

**STEPS IN NUCLEAR DISARMAMENT**



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It would be entitled to "demand and receive" information from states regarding implementation of the cuts in armed forces and armaments, although there is no provision for verifying this information.

The control organization would, when the second phase of the plan came into effect, have a staff of inspectors who "within the bounds of the control functions they exercise would have unhindered access at any time to all objects of control." This phrasing suggests that the USSR still adheres to its position of strictly limiting inspection to specifically designated establishments.

The Soviet proposal dismisses the crucial matter of nuclear inspection, saying it is an insoluble problem because of the difficulty in detecting whether atomic energy installations permitted for peaceful purposes were in fact being used for the production of stocks of fissionable material for weapons. It asserts that there are "possibilities beyond the reach of international control" for "organizing the secret manufacturing of atomic and hydrogen weapons."

Physical inspection of plants producing fissionable materials, however, and a close audit of the records of these plants, if this were allowed, would of course make more difficult the clandestine accumulation of a large stockpile of fissionable material for nuclear weapons.

While there could not be complete confidence that the inventory of Soviet nuclear weapons or the clandestine production of fissionable material could be determined, there could be fairly effective inspection of weapons delivery systems. The preparation necessary for launching a co-ordinated air attack on the United States

would, at the present time, be difficult to conceal from inspection agents, given facilities for unhindered travel. Similarly, the development and production of long-range guided missiles would probably be impossible to hide from inspectors because of the scale and extreme complexity of the undertaking required for such projects.

Under the broad terms of the current Soviet disarmament proposals, however, the possibilities for evasion of inspection of disarmament measures are almost unlimited. The USSR's reluctance to commit itself to an effective inspection system is suggested by the fact that the USSR has so far temporized with the reciprocal aerial inspection plan advanced by President Eisenhower at Geneva.

Related Aspects of the Omnibus Proposal

The disarmament plan was a major part of the Soviet proposal of 10 May. Also included were proposals for the discontinuation of war propaganda, the withdrawal of forces from Germany, the dismantling of extraterritorial bases, the settlement of Far Eastern problems, and economic and cultural exchanges. It was not clear from the language of the proposal whether Western acceptance of some or all of these other provisions was expected to precede agreement on the disarmament plan.

While the Soviet Union will probably continue to publicize these issues for propaganda purposes during forthcoming disarmament discussions, the issues themselves are not likely to become major bones of contention in the discussions.

Soviet propaganda on disarmament has continued to emphasize the 10 May proposals

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suggesting that they would provide a realistic basis for UN discussions. A recent Pravda article stressed that the possibilities for an agreement

are infinitely better since the Geneva conference and maintained that a new "vital force" is apparent in the current move for disarmament.

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TRENDS IN BRITISH COLONIAL POLICY

In response to the accelerated pace of political development in many of its overseas dependencies, London is considering momentous adjustments in its colonial policies. British official thinking has recently shown a growing awareness both of the constitutional problems and of the immediate risks in Britain's policy of encouraging political ambitions in its colonies. In full awareness of its diminishing means of direct control, London is now seeking a way to make the colonies autonomous while trying to assure that they remain stable in the process.

Practically all of Britain's 35 colonies scattered around the globe have made important constitutional progress in the ten years since the war. Eleven of the 35 now have full adult suffrage. In the legislatures of 17, at least a majority of the members are elected by popular vote. In the past two years, constitutional development has been especially rapid in 11 of the 12 colonies with populations exceeding 1,000,000.

Nigeria, for example, with a population of 31.5 million, is approaching almost complete local autonomy, and with British advice will undertake a further examination of constitutional arrangements and the question of self-government next year. Singapore in effect has had two

new constitutions since 1953. Despite the continuance of emergency conditions, important changes have been instituted in both Kenya and the Federation of Malaya.

The Trend Toward Autonomy

As a result of increasingly insistent demands for local autonomy and a concurrent reduction in Britain's capabilities for direct control, administrative ties between London and the colonies have steadily loosened. American observers note that the Colonial Office refers even minor decisions to the colonial administrations, even if it means months of delay. According to the parliamentary under secretary for colonial affairs, the Colonial Office no longer considers it desirable or possible for colonial governors to "thrust advice" on ministers in constitutionally advanced territories such as Nigeria and the Gold Coast, where autonomy is virtually complete. In practice, this also applies even in less advanced colonies.

London's most serious problem in arranging for the changed status of Britain's colonies concerns those territories which are undergoing rapid political development but which lack the resources for achieving full Commonwealth membership. Britain evidently still regards the attainment of equal and independent status within the

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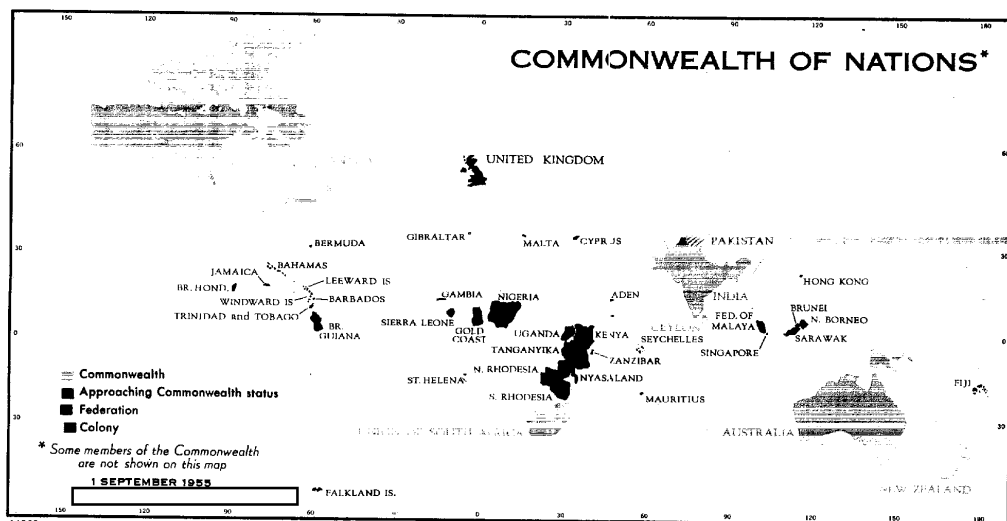
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Commonwealth as dependent on a territory's ability to be economically viable and to make some contribution to Commonwealth defense. The wealth and size of Nigeria and the Gold Coast provide for their becoming Commonwealth members relatively soon. Barbados or Jamaica, on the other hand, can scarcely ever hope to meet these criteria.

In an effort to deal with the constitutional problems of

inclines to the view that all colonies should henceforth be regarded as potentially independent members of the Commonwealth. In what appear to be officially inspired trial balloons, commentators close to the Colonial Office have recently suggested that its functions and personnel be transferred to the Commonwealth Relations Office.

In similar vein, a Colonial Office official on 27 June



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the far more numerous weaker dependencies, Britain seems to be considering two main approaches. One is the adoption of a changed terminology which would blur even further the distinction between the dependent empire and independent members of the Commonwealth and in effect establish an intermediate Commonwealth status. The other approach is the formation of stronger constitutional units through regional associations of the smaller colonies.

Intermediate Commonwealth Status

There are several indications that London's thinking

discussed with American officials the "new status" of British colonies. He noted that "commonwealth" already had a fixed usage and that the Colonial Office has long sought a substitute for "colony," a term with "so many unpleasant connotations." He said that Britain is considering the adoption of the term "state."

The establishment of an intermediate Commonwealth membership would antagonize some influential British elements. On the other hand, London may calculate that any such action would be well received by colonial peoples as an earnest of Britain's sincerity, and that the resulting good will

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would be conducive to orderly political development. In addition to these benefits, conferring a new status would presumably broaden the juridical and political framework within which many colonial problems could be handled.

Regional Federations

Britain is making an effort to enhance the political and economic viability of some of its colonies by promoting the development of regional federations with common judicial, financial, and legislative institutions. London's policy is to encourage such associations among members not strong enough to stand alone, or those which would draw essential support from a more powerful neighbor. The Central African Federation was formally established in 1953, and federations are now being actively considered for the West Indies and Southeast Asia. Britain apparently intends to work toward an East African Federation also.

Regional association is most advanced among the seven small West Indian colonies, which are expected to reach final agreement on a federal constitution at a conference next January. The federation is expected to be in operation by 1957.

Some British officials reportedly hope that establishment of a West Indies federation will promote political development in British Guiana, where no progress has been made toward restoration of responsible government since the Communist-induced crisis of October 1953. These officials reason that in the wider federal political arena, responsible political leaders in other territories may organize moderate political parties in British Guiana in the hope of gaining support from them in the federal legislature.

The establishment of such a federation evidently will not result in its immediate admission to Commonwealth membership. Colonial leaders themselves have expressed the view that this will not be feasible until both British Guiana and British Honduras have achieved a stage of political development more like that of Jamaica and Trinidad.

In Southeast Asia, Britain is reported as now definitely planning to complete federation of the colony of Singapore and the Federation of Malaya within five years. Britain would for a time retain authority in matters of finance, defense, and foreign affairs, but the federation would ultimately be offered independence with the option of joining the Commonwealth. According to a 19 August statement by Colonial Secretary Lennox-Boyd, this federation would eventually be expanded to include the British territories of Sarawak, Brunei, and North Borneo.

The principal obstacles to orderly political development in Malaya and Singapore continue to be the Communist threat to internal security and the rivalry between the Malayan and Chinese communities. Although it is generally agreed that Britain will not relinquish final control in the area until the Communist problem is greatly reduced, London apparently intends to continue pushing the development of federal parliamentary institutions, and apparently considers their establishment the prerequisite to independence for either territory.

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Although many of the commission's recommendations are provoking controversy both in London and among European settlers in Kenya, the Colonial Office can be expected to move ahead with arrangements already projected for closer association of Kenya and Tanganyika. An approach to Uganda, however, would presumably remain a more distant prospect.

Prospects

The prospects are for the continuation of a relatively rapid devolution of political power to local authorities. Despite warnings by many British observers that "failure" may wreak permanent damage on a colony, its inhabitants, and perhaps British and Western interests, London evidently has no intention of changing its objective. Unsatisfactory conditions in such territories as Cyprus and British Guiana have led to a heightened awareness of the risks involved, but have not deterred Britain from its general approach.

In East Africa, Britain apparently sees in federation a means of breaking through the ethnic rivalries and economic obstacles which have greatly complicated political development there. Publicly, however, Britain has allowed the idea of an East African federation to recede into the background. This has been partially because of the opposition of Uganda--which has strong indigenous institutions and few white settler groups--to possible association with Kenya and Tanganyika, where the European minorities exercise considerable power. The recent report of the East Africa Royal Commission, however, which will form the basis for new policy developments affecting the region, strongly implies the necessity of a federal political solution.

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