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16 February 1956

CONFIDENTIAL

CURRENT INTELLIGENCE WEEKLY SUMMARY



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CENTRAL INTELLIGENCE AGENCY
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State Department review completed

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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

KHRUSHCHEV'S SPEECH AT THE SOVIET PARTY CONGRESS Page 1

Confidence in the strength of the Communist world and in its inevitable triumph over capitalism was the dominant tone in Khrushchev's six-hour report to the 20th Party Congress on 14 February. The fact that he spoke authoritatively on a wide range of topics, including basic doctrinal issues, and the appointment of many of his protegés to guiding bodies of the congress, reflect his position as "first among equals" in the Soviet regime. Khrushchev's speech gave a strong impetus to two of the major aims of Soviet policy--diplomatic and economic intervention in the Middle East and South Asia, and the development of closer relationships with the international Socialist movement. [redacted]

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USSR ASSERTS VITAL INTEREST IN MIDDLE EAST Page 3

The Soviet Foreign Ministry, in a statement on 13 February, asserted a vital interest in Middle Eastern issues and demanded a voice in their settlement. Referring to the Eisenhower-Eden declaration, the statement condemned any "independent action" outside the UN Security Council and without the consent of the states involved. Such intervention would create "dangerous friction and tension" in the area, according to Moscow. [redacted]

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ARAB-ISRAELI SITUATION Page 4

The tension over the Banat Yacov canal issue has relaxed somewhat as a result of actions taken by both the Arabs and Israel. The retreat by both sides from positions they had assumed a short time ago suggests that neither the Arabs, particularly Egypt, nor the Israelis desire a war now. [redacted]

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ALGERIAN IMPASSE
THREATENS FRENCH GOVERNMENT Page 4

The deadlock on Algeria is encouraging right-wing elements in France who had resigned themselves to accepting large concessions in Tunisia and Morocco. As a result, Premier Mollet's position is weakened, and he will have difficulty postponing divisive internal issues. Labor is preparing a broad campaign on wage concessions, and pressure is being renewed in the National Assembly for an early airing of the church school question. [redacted]

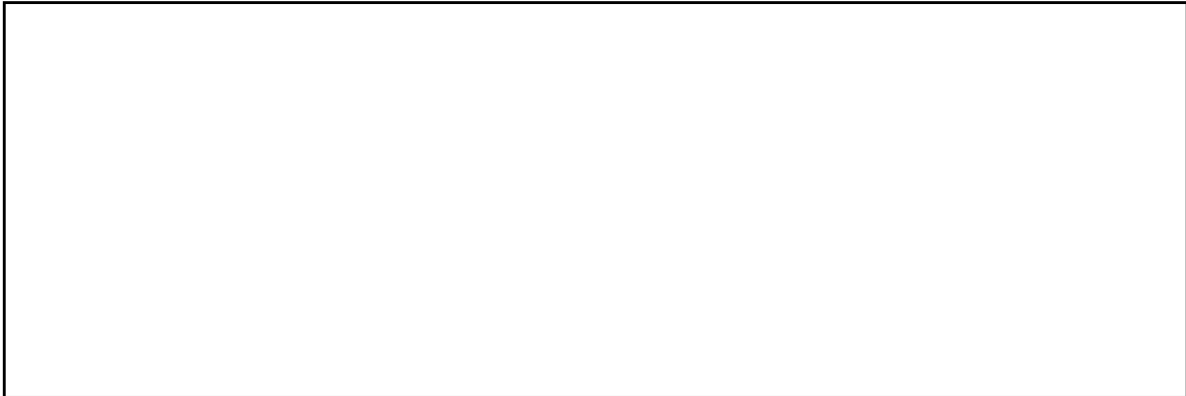
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PART II

NOTES AND COMMENTS

Soviet Overtures to European Socialists: Since last fall, Soviet leaders have made overtures in one form or another to at least seven of Europe's Socialist parties. These overtures are designed to overcome Socialist opposition to Communist proposals for "popular fronts" and electoral alliances. The USSR may also hope to generate American doubts about the reliability of Socialist-led NATO governments in France, Norway and Denmark. [redacted]

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Saar Negotiations: French and German officials are scheduled to resume negotiations on the Saar on 20 February. The French will probably agree in principle to the eventual political reunion of the Saar with Germany--provided French economic interests in the area are protected and Germany makes certain other economic concessions favoring France. [redacted]

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Spain's Internal Difficulties: The recent riots of University of Madrid students provoked new repressive measures by the government and occasioned the removal of the education minister and the minister-secretary of the Falange. The student demonstrations and other reported discontent in Spain suggest Franco will tighten controls and possibly make further cabinet changes.

[redacted]

Page 3

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Cyprus: Governor Harding responded on 14 February to Archbishop Makarios' conditional acceptance of Britain's policy statement on Cyprus. Harding wants to begin discussions soon with all elements of the Cypriot population on general principles for a constitution which would establish self-government. Makarios probably will agree to proceed with discussions, but is likely in their course to raise new objections.

[redacted]

Page 4

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Indian Congress Party Annual Meeting: The annual meeting of the Indian Congress Party between 8 and 12 February demonstrated the intense concern of Nehru and other party leaders with national unity and economic development and with the maintenance of world peace. A resolution on the reorganization of state boundaries showed that major alterations have occurred in the party's thinking on the linguistic states problem and that Nehru's plan for dividing India into a few large states is now party policy. The meeting was marked by bitter attacks on the Baghdad and SEATO pacts, suggesting that in the near future they will become major targets of Indian foreign policy.

[redacted]

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Pakistan: Pakistan's response to Soviet premier Bulganin's recent offer of a trade pact suggests that the Karachi government may be changing its policy from one of wholehearted co-operation with the West to one aimed at making Pakistan the object of Soviet-Western competition. Internally, the government has gained a temporary respite following the breakdown of negotiations aimed at developing joint opposition to the draft constitution. Karachi may face a new threat, however, from a competition for power which seems to be shaping up within the dominant Moslem League.

[redacted]

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Indonesia: The Indonesian government's unilateral abrogation of the Netherlands-Indonesian Union on 13 February has little international significance, but may improve the domestic prestige of the moderate Masjumi party and thereby its chances of participation in the next cabinet. The cabinet is also considering again, for domestic political purposes, abrogation of the economic-financial agreements with the Netherlands. The parliament which was elected in September may be installed in March, and negotiations for a new cabinet may follow immediately thereafter.

[redacted]

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Soviet-Japanese Negotiations Still Stalled: Both sides in the Soviet-Japanese talks in London were maintaining their inflexible positions as of 12 February. On 10 February, Malik reiterated the Soviet offer to return Shikotan and the Habomais, but flatly stated that this was the absolute limit of Soviet territorial concessions, and that further Japanese discussion on the southern Kurils would be regarded as deliberate stalling tactics. Japanese public opinion remains firm behind a strong negotiating policy.

[redacted]

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Sino-Soviet Bloc Participation in International Trade Fairs: The Sino-Soviet bloc has sharply increased its participation in international trade fairs as part of the effort to expand economic relations with non-Communist countries, particularly the countries of the Middle East, Africa, Southeast Asia and Latin America. In 1955, the bloc participated in more international fairs and exhibitions than in all of the four preceding years, staging 288 exhibits at 149 fairs in 41 countries at an estimated cost of \$38,000,000.

[redacted]

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Page 9

New Moves in Soviet Agriculture: Two new agricultural decrees and related activities suggest a recent acceleration in the USSR's long-standing campaign to establish complete state control over agricultural production and food distribution. These measures also seek to increase total food output, but in the past, these two aims have frequently conflicted, with tighter controls provoking a fall in production.

[redacted]

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World Federation of Trade Unions Looks for New Location:

Officials of the World Federation of Trade Unions (WFTU) will probably protest in the International Labor Organization and in the UN, the banning of their organization from Vienna. The WFTU will probably try to relocate somewhere else outside the iron curtain, but the opposition of Western European governments may make this impossible. The WFTU may therefore settle in Prague.

[redacted]

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Foreign Ministers' Conference on European Integration:

The foreign ministers of the six European Coal-Steel Community countries who met in Brussels on 11 and 12 February made concessions to France by deciding to proceed with the EURATOM project without pressing for anything more than a commitment in principle to the common market, and without insisting that the military uses of nuclear fuels be renounced in perpetuity. Organizational planning generally followed the CSC pattern.

[redacted]

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Peiping Gives New Attention to Agriculture: Peiping

has announced an overly ambitious plan to increase agricultural production by 150 percent during the next 12 years, but actual prospects are for 20 or 30 percent in view of concurrent announcements that industrialization will still come first. The new emphasis on agriculture, however, should enable farm output at least to keep up with population growth.

[redacted]

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New Medium-Range Submarine in Production in USSR: A

new class of medium-range submarine, designated the "Q-class" for intelligence reference, was apparently put into series production by the USSR in 1955, when approximately 10 of these vessels were constructed by the Sudomekh shipyard in Leningrad. Of the 108 new submarines of all classes expected to be built in the USSR in 1956, it is believed that 18 will be "Q's".

[redacted]

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PART III

PATTERNS AND PERSPECTIVES

PATTERNS OF SOVIET INTERVENTION IN THE NEAR EAST AND AFRICA

Page 1

By the use of the political and economic pressures of "traditional diplomacy," the USSR has acquired a great-power voice in the Near East, an area which had previously been under the exclusive influence of the West. The USSR has formally served notice that it expects to exercise great-power prerogatives in the Near East, and indications are that considerable local support is developing for increased Soviet participation in the affairs of the area. [redacted]

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SPAIN'S FOREIGN POLICY

Page 4

In recent years, Spain has made little effort to improve its generally cool relations with Western European countries but has intensively cultivated countries in the western hemisphere and the Arab world. In the past few months, there have been rumors that Franco might resume diplomatic relations with the USSR and the Satellites. [redacted]

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RAILWAY CONSTRUCTION IN COMMUNIST CHINA

Page 6

Having restored the pre-World War II Chinese railway system, the Communists are concentrating on a vast new rail-line construction program. The Chinese, by the early 1960's will have four high-capacity, international rail links with the USSR and rail service with all areas of China proper. In the absence of disruption by external attack, this system will substantially reduce the country's historic vulnerability to the effects of a sea blockade, and will greatly increase Communist logistic and military capabilities. [redacted]

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Part I

OF IMMEDIATE INTERESTKHRUSHCHEV'S SPEECH
AT THE SOVIET PARTY CONGRESS

Confidence in the strength of the Communist world and in the inevitability of its final triumph over capitalism was the dominant tone in Khrushchev's six-hour report to the 20th Party Congress on 14 February. The fact that he spoke authoritatively on a vast number of topics, and the appointment of many of his protégés to guiding bodies of the congress, reflect his position as "first among equals" in the Soviet regime.

Khrushchev's speech gave a strong impetus to two of the major aims of Soviet policy-- diplomatic and economic intervention in the Middle East and South Asia, and the development of closer relationships with the international Socialist movement. He also triumphantly reviewed the world situation, claiming sweeping successes for Soviet foreign policy since Stalin's death and particularly since the Khrushchev-Bulganin regime took over in February 1955.

Foreign Policy

In his statements on foreign policy, Khrushchev announced some major modifications in Communist doctrines. He asserted that the transition to socialism in certain states could be brought about by parliamentary means rather than through acute class revolutionary struggle. This modification will appeal to both European and Asian Socialists and will probably be followed by a major Soviet effort to establish and exploit popular fronts in those areas.

Khrushchev also asserted that there is no "fatal inevitability" of war, since there exist "mighty social and political forces possessing formidable means to prevent the imperialists from unleashing war." This change in doctrine probably reflects a belief on the part of Soviet leaders that war in the nuclear age is no longer a feasible instrument of national policy.

Khrushchev's grouping of various states in his concluding statements on the aims of Soviet foreign policy reflects the USSR's estimate of how world power is aligned and where new gains in influence can most easily be made. He grouped India, Burma, Afghanistan, Egypt and Syria as states that stand for peace together with the neutrals, Finland and Austria. He included "peace-loving" non-Communist states of the Afro-Asian area along with the Sino-Soviet bloc in a vast "zone of peace" which plays a decisive role in world affairs. In another category he grouped the Western powers, Western Germany, Japan, Italy, Turkey, Iran, and Pakistan as countries with which the USSR should attempt to improve its relations.

Khrushchev's remarks contained the first endorsement of a ban on thermonuclear weapons tests by a top-level Soviet leader. Otherwise there were no new proposals on major East-West issues. He merely reiterated the well-defined Soviet positions on disarmament and collective security in Europe.

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He identified collective security in Asia as the third major problem to be solved, but did not spell out any Sino-Soviet position on it.

Domestic Affairs

The speech re-emphasized the regime's assurances of "Socialist legality" and its determination to maintain "proper control by the party and government over the work of the state security agencies." Khrushchev's statement on the party leadership, pointing out that "the collective is not bound by personal relations or mutual advantage," is probably intended as an assurance that collective leadership is now a fixture in the Soviet system.

Khrushchev stated that Soviet Communist Party membership is now 7,215,000. This figure corrects the round number of 8,000,000 he used in a speech in India last December. The increase in membership of over 330,000 since the 19th Party Congress means that the number of party members is growing proportionally to the growth in population and continues to comprise about 3 percent of the total population.

On questions of ideology, Khrushchev stressed what the party press has been saying insistently in recent months-- that theory cannot be divorced from practice. He indicated that this criticism is directed against those party members who complain when they are "diverted from so-called pure party work" to the study of economics and technology. In short, Khrushchev insists on a pragmatic approach in party work, as he did in foreign policy.

Khrushchev mentioned the "false claim" that the USSR has "laid only the foundation of socialism." This appears to have been a slip at Foreign Minister Molotov, who was accused of this ideological faux pas and who publicly recanted in September. Referring to the "erroneous formulations" in question, Khrushchev asserted that "the central committee found it necessary to correct some people who introduced confusion in certain clear issues which the party had settled long before."

The governing bodies of the congress, elected in the first minutes of the opening session, were considerably larger than those elected in 1952 for the 19th Party Congress and the honors were thereby spread more widely among the party faithful. All current members of the party central committee presidium and secretariat were elected to the guiding organs of the congress. Probable friends and protégés of Khrushchev form nearly half the total membership of the bodies, indicating his dominant position in the collective leadership.

Economic Matters

Khrushchev expressed unbounded confidence in the USSR's ability to solve its economic problems and to compete successfully with the West. He paid considerable attention to consumer wants, possibly to counterbalance the regime's recent strong emphasis on industrial growth, and he reaffirmed the primacy of heavy industry in slightly less emphatic terms than in recent pronouncements.

Khrushchev added a popular note in promising that a 41-hour

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week would be introduced industry by industry throughout the USSR beginning in 1957 and concluding in 1960. The present workweek is 48 hours. His promise probably can be carried out without endangering the 1960 output targets for industry, but only by drawing extra labor from other sectors of the economy, as in previous five-year plans.

The speech stressed the eastward shift of Soviet industry to the rich energy and material resources beyond the Urals. Long-range planning for this area provides for sharp

increases in energy output and the creation of new metallurgical centers, especially for light metals.

With respect to agriculture, Khrushchev presented new data designed to justify his policies of the past two years, especially the virgin lands and corn programs, and reiterated his conviction of their early success. The evidence he cited, however, does not make the planned agricultural goals any more realistic than they had previously seemed. [redacted] (Prepared jointly with ORR)

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USSR ASSERTS VITAL INTEREST
IN MIDDLE EAST

The Soviet Foreign Ministry, in a statement on 13 February, asserted a vital interest in the settlement of Middle Eastern issues. Building its case on the alleged "separatist measures" envisioned in the Eisenhower-Eden declaration, the statement condemned any "independent action" regarding the area outside the UN Security Council and without the consent of the states involved.

The statement alluded to reports that the West is planning to move troops into the Middle East--apparently stemming from the Eisenhower-Eden statement that favorable consideration would be given to recommendations on enlarging and improving the capabilities of the Arab-Israeli truce supervisory organization. Such intervention, Moscow claimed, would create "dangerous friction and tension" in the area and would be a "gross violation" of the UN charter and of the state sovereignty of the Middle Eastern countries.

The USSR made clear in the statement its view that it should be consulted on any measures taken in the Middle East, not only because of its position on the UN Security Council, but because of its "lawful" interest as a state in the "close vicinity of this area" whose security is directly involved.

The Soviet statement is a direct extension of the anti-colonial line Moscow has promoted so energetically during the past year. By stressing alleged Western unilateral and colonialist-inspired solutions to Middle Eastern problems, the USSR is exploiting increased sentiments in Afro-Asian countries for reaching solutions to their own problems without foreign interference. Moscow may calculate that it can so identify its voice with that of the Afro-Asian countries as to avoid incurring the resentment of the local powers. (Also see Part III, p.1.) [redacted]

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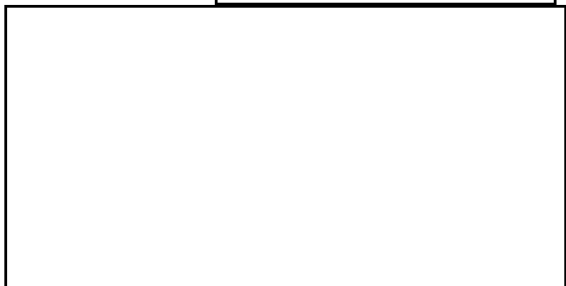
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ARAB-ISRAELI SITUATION

The tension over the Banat Yacov canal issue has relaxed somewhat as a result of actions taken by both the Arabs and Israel. The Egyptian foreign minister has said his government will urge "further consideration" of the alternative Johnston plan for the regional development of the Jordan river valley, and Israeli prime minister Ben-Gurion has announced Israel will "shelve" work on the canal for the time being. Syria meanwhile asked for a meeting of the United Nations Security Council on the issue, the Syrian delegate claiming his government had evidence Israel intended to resume digging inside the Israeli-Syrian demilitarized zone.

The retreat by both sides from positions they had assumed

a short time ago suggests that neither the Arabs, particularly Egypt, nor the Israelis desire a war now.



The Syrian request for Security Council consideration of the issue probably results



from the fact that during February the Soviet UN representative will preside over the council.

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ALGERIAN IMPASSE
THREATENS FRENCH GOVERNMENT

The deadlock on Algeria is encouraging right-wing elements in France who had resigned themselves to accepting large concessions in Tunisia and Morocco. As a result, Premier Mollet's position is weakened and he will have difficulty postponing divisive internal issues. Labor is preparing a broad campaign on wage concessions, and pressure is being renewed in the National Assembly for an early airing of the church school question.

Mollet had undertaken his personal mission to Algeria in the hope of finding a basis for a solution which would enhance his prestige sufficiently to help him over other hurdles. Instead, the trip has severely weakened his position both at home and in North Africa, and increased the difficulty of finding agreement on the Algerian issue.

By capitulating to colonial pressure for the resignation of

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General Catroux as minister residing in Algeria, Mollet alienated moderate Moslems as well as Frenchmen. Mollet will probably be subject to renewed attack from the right as the new relationship is worked out between France and Morocco, and as new negotiations are opened with a view to "fuller independence" for Tunisia.

Co-operation between Poujadists and veterans' groups in the Algerian riots has given rise to the fear that a similar situation might develop in France. While Mollet was in Algeria, his Republican front pressed its campaign to invalidate the credentials of a number of Poujadist deputies in the National Assembly.

The rift between right and left has been deepened by this move, with the Communists supporting the Republican Front, and 100 to 120 right-center deputies--largely from the Independents and Peasants--siding with the Poujadists. Poujade has reportedly been gaining support in both military and business circles, and ex-premier Pinay believes that the removal of

Poujadist deputies might trigger demonstrations in which veterans' groups would support an attack on the parliamentary system.

The Communists, meanwhile, have continued their pressure for a popular front government. The threat of rightist demonstrations is ammunition for this campaign, and any effort by Poujade to use veteran support would probably bring out the Communist veterans' groups. The government's move banning demonstrations planned for 11 and 12 February indicates its apprehension over the possibility of the right-left controversy leading to violence.

Socialists and Communists in the National Assembly's education committee have joined together to press for an early airing of the church school question. This could stymie a Socialist-Popular Republican rapprochement and widen the split between left and right in the assembly. At the same time, the labor unions--particularly the Communist-dominated General Confederation of Labor--are preparing a broad campaign for early wage concessions.

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PART II

NOTES AND COMMENTSSoviet Overtures
To European Socialists

The USSR has embarked on a major effort to develop new relationships with the international Socialist movement.

This effort received the highest doctrinal sanction in Khrushchev's report to the 20th Party Congress on 14 February. Khrushchev announced a major doctrinal revision by setting forth the possibility of a parliamentary road to socialism as distinct from outright revolution. He also extended "sincere greetings" to those Social Democrats who are "willing to do everything necessary to unite our efforts" in the struggle for peace and the interests of "working people."

Since last fall, the Soviet leaders have made overtures in one form or another to at least seven of Europe's Socialist parties.

Norwegian, Finnish, Danish and Austrian Socialist leaders have all rejected initial offers to establish direct ties between their parties and the Soviet Communist Party. The French Socialists have accepted an invitation to visit the USSR next month, and the American embassy in London believes that Khrushchev and Bulganin may invite the British Labor Party to send a delegation to the Soviet Union next spring during or even before their visit to Britain. Soviet ambassador Zorin in Bonn has hinted that he would like to meet West German Social Democratic leader Ollenhauer and may invite him and other party leaders to visit Moscow.

These moves are evidence of a bolder and more flexible

Soviet campaign to influence Socialist policies and sentiment in Western Europe. The Soviet leaders may hope to overcome Socialist opposition and distrust toward local Communist proposals for "popular fronts" and electoral alliances. The main target at this time appears to be France, where the Socialist-led government is under strong pressure from the Communists to form a "popular front." Italian Communist leader Togliatti has stated that the postelection situation in France is "probably capable of evolving" toward a popular front.

The proposal for contacts between the Soviet Communist Party and the Norwegian Labor Party which Khrushchev made to Norwegian premier Gerhardsen in Moscow last November was the first such offer ever made by a Soviet leader to a foreign non-Communist party. Such a proposal would have been inconceivable in Stalin's last years.

The overtures appear to be a logical development of the general line which moved the Soviet leaders to arrange their reconciliation with Tito--the first major departure from Stalinist orthodoxy in the field of international Communism. Moscow now is seeking to capitalize on the impact among Western Socialist circles produced by this repudiation of Stalin's attacks on Tito and by the Soviet recognition of the possibility of different forms of Socialist development.

The Soviet leaders probably hope that their approaches will generate a growing interest in Yugoslav party circles and among

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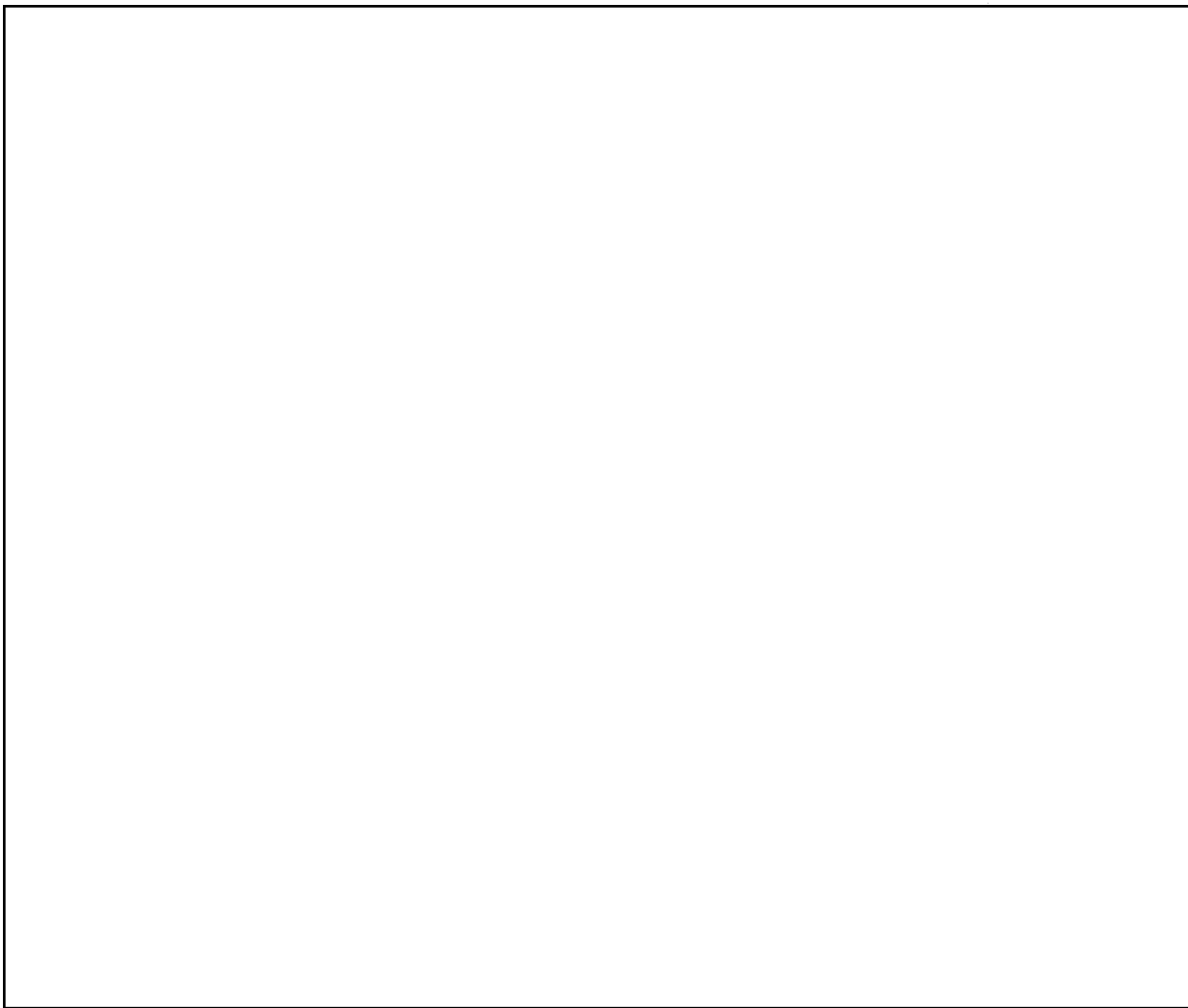
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Western European Socialists in the possibilities of a new relationship among left-wing groups, both within and outside the bloc. They may plan to follow up these overtures with an appeal to the Socialist International for the creation of a united front against military blocs, German "remilitarization," nuclear weapons, etc. It is possible that Moscow hopes that the Yugoslavs will act as intermediaries between the Soviet Communist Party and European Socialists.

These approaches to Socialists may also be designed to raise American doubts about the reliability and intentions of such Socialist-led NATO allies as France, Norway, and Denmark, and, in combination with local Communist united-front pressures, to facilitate the eventual emergence of new political alignments in Western European countries which would change their present foreign and defense policies.

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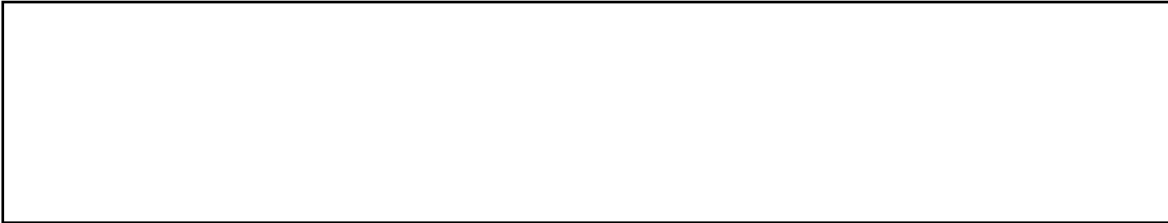


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Saar Negotiations

French and German officials are scheduled to resume negotiations on the Saar on 20 February. The French will probably agree in principle to the eventual political reunion of the Saar with Germany--provided French economic interests in the area are protected and Germany makes certain other economic concessions favoring France. After the initial negotiations between the French and German foreign ministers, French secretary of state for foreign affairs Maurice Faure and West German state secretary Hallstein will head delegations carrying out detailed negotiations starting 28 February.

The French foreign minister and his under secretary, in both public and private statements, imply that France now considers its bargaining position vis-a-vis West Germany stronger than at any time since the October referendum. Maurice Faure told Ambassador Dillon on 10 February that France would insist on German approval of the long-pending plans for canalization of the Moselle River. The French also will

insist on confirmation of the existing French-Saar agreement for exploitation of the valuable Warndt coal mines.

Some of the provisions of the broad French-German economic collaboration program which accompanied the 1954 Saar agreement, such as long-term trade agreements funneling France's agricultural surplus into West Germany, have materialized. The Germans, however, were not enthusiastic about others, including the Moselle canal plan, and can be expected to resist French efforts to revive them. The Moselle project is generally opposed in West Germany and Luxembourg because it would place the French steel industry in Lorraine in a better competitive position in the European market.

Under Secretary Faure underlined the French bargaining position with the statement that he views a Saar settlement as a "touchstone" for further progress toward EURATOM and other forms of European integration.

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Spain's Internal Difficulties

The recent riots of University of Madrid students provoked new repressive measures by the government and occasioned the removal of the education minister and the minister-

secretary of the Falange. The student demonstrations and other reported discontent in Spain suggest Franco will tighten controls and possibly make further cabinet changes.

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The immediate issue in the student clashes was freedom of organization for those who oppose the narrowing ideology of the Falange-controlled syndicate of university students. In essence the opposition was directed at government-imposed curbs on freedom of expression. The anti-Falangist students also voiced strong opposition to a re-establishment of the monarchy.

On 10 February the regime reacted to these demonstrations by suspending parts of the 1945 bill of rights so as to permit more drastic police action. It announced it would crack down on all who disturbed or tried to disturb "the order, peace and unity of the Spaniards."

The government insisted that the Communists were to blame for the unrest and disorders. In view of the extremely weak position of the Spanish Communists and the violently anti-Communist attitude of the students and left-wing groups in general, this charge is unlikely to find any widespread credence. Accordingly, the revival of the

Gibraltar question by Franco in a recent speech looks like an attempt to divert public attention to a foreign issue as the government has done on various occasions in the past.

A general deterioration in the position of the Franco regime over the past six months was noted recently by the French ambassador in a report shown to the American embassy in Paris. The veteran correspondent of the London Times in Madrid has said he has never seen such widespread "seething and yeasting" among students, workers, leftist elements, and the lower clergy. He considers that the failure of the monarchist movement to make much headway will make the situation more acute.

The army, which is one of the chief props of the regime, is still apparently uninfluenced by this prevailing disaffection, but new economic difficulties are evidently in store for the government. The unharvested part of the citrus crop reportedly has been lost because of the unusually severe winter weather.

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Cyprus

Governor Harding responded on 14 February to Archbishop Makarios' conditional acceptance of Britain's policy statement on Cyprus. Harding wants to begin discussions soon with all elements of the Cypriot population on general principles for a constitution which would establish self-government.

The constitutional principles cited in Harding's letter were designed to answer Makarios' reservations. However, London is unwilling to discuss detailed

constitutional provisions with Makarios alone. The governor gave assurances that the constitution would provide for (1) a legislature with an elected majority, (2) responsibility of ministers to the legislature, (3) progressive assumption of administrative functions by the ministers, and (4) the governor's control over public security only "for as long as necessary."

London hopes that the last point will lead Makarios, in consultation with Harding, to issue

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a declaration calling on the Cypriots to cease violence.

By ignoring in his letter such questions as the governor's veto powers and proportional representation, Harding hoped to avoid objections from Makarios or from leaders of the Turkish community which might prevent discussions on the constitution. Makarios probably will agree to proceed with such discussions, but is

likely in their course to raise anew objections on these points.

The Turkish community, strongly supported by Ankara, continues to insist that self-government without equal representation for the Turkish population would be unacceptable. The opposing Greek and Turkish attitudes on this question make it almost certain that agreement on a constitution will be difficult.

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Indian Congress Party
Annual Meeting

The annual meeting of the Indian Congress Party between 8 and 12 February demonstrated the intense concern of Premier Nehru and other party leaders with national unity and economic development and with the maintenance of world peace. The meeting was marked by bitter attacks on the Baghdad and SEATO pacts, which suggest that in the near future they will become major targets of Indian foreign policy.

Nehru, who moved the party's main resolution on economic development and the Second Five-Year Plan, gave signs of being more intensely interested in the success of the plan than he was last year, when he led the movement for "socialization" of the Indian economy. It even seems possible that Nehru plans in the near future to spend more time on domestic matters than on foreign affairs, the field to which most of his energy has heretofore been devoted.

Nehru may well have elevated Krishna Menon to a post in the Ministry of External Affairs to relieve himself of secondary duties in that sphere. Nehru already foresees a hard

economic battle ahead, especially since the over-all size of the Second Five-Year Plan was recently raised from the equivalent of \$12 billion to \$15 billion, of which some \$2.5 billion will be covered by deficit financing, while no source whatever is now visible for another \$1.6 billion.

A resolution adopted by the party on the reorganization of state boundaries and accompanying speeches made clear that Nehru's new plan for dividing India into a few large states in which no single language will dominate is now party doctrine. Congress leaders strongly condemned separatism and emphasized that language considerations would take second place to national unity in future government thinking.

Under the new plan, the Congress Party will probably work for a single, enlarged Bombay state and for a north Indian state in the Punjab area which will include both Hindus and Sikhs. It will also encourage other mergers, such as the recently suggested one of West Bengal and Bihar.

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The foreign affairs resolution and accompanying speeches reveal new developments in Nehru's thinking and suggest that Indian foreign policy may be entering a new phase. Nehru, who reportedly drafted the resolution, emphasized in his speeches that present world tension did not represent a conflict between Communism and anti-Communism but was caused by a struggle for power between the USSR and the United States.

According to Nehru, the consequences of a war resulting from this struggle would be disastrous, and India, which previously had tried to keep aloof, would now have to take a stand. It was "determined," however, not to join either of the power blocs.

Nehru and others have intimated that India hopes for cordial relations with all nations and that it intends, at least for the time being, to take a calculated risk by acting on the assumption that the new Soviet "peaceful policy" is genuinely motivated.

There is ample evidence that Nehru and other Congress leaders are carefully examining Soviet overtures and that they are not uncritically accepting current Soviet propaganda.

Pakistan

Pakistan's response to Soviet premier Bulganin's recent offer of a trade pact suggests that the Karachi government may be changing its policy from one of wholehearted cooperation with the West to one aimed at making Pakistan the object of Soviet-Western competition. Internally, the government has gained a temporary respite following the breakdown of Awami League-United Front negotiations aimed at developing joint opposition to the draft

This caution is shown by the lack of emphasis during the course of the Congress Party meeting on the USSR, on the Bulganin-Khrushchev visit, on Soviet economic aid, and by the attacks made by Nehru on Indian Communists.

It seems clear, however, that India's leaders feel that if the West does not respond with similar "peaceful" moves and thereby encourage the USSR to further friendly gestures, the USSR may again return to its earlier militarist posture and the opportunity of achieving permanent peace in the near future will be lost.

The bitter attacks made on SEATO and especially on the Baghdad pact were probably inspired by Indian irritation at the West's continued building up of defensive alliances in Asia. Accompanying expressions of satisfaction at the growing number of nations supporting the "five principles" of nonaggression and coexistence, together with statements that world peace can be achieved only by adherence to these principles, suggest that India may soon embark on a campaign to obtain statements of adherence from the Western non-Communist nations whose support previously has not been sought.

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constitution. Karachi may face a new threat, however, from a competition for power which seems to be shaping up within the dominant Moslem League.

Bulganin and Khrushchev, on their recent South Asian tour, made statements supporting Afghanistan on the Pushtoonistan issue and India on Kashmir which irritated many Pakistanis. These statements also, however, impressed on Pakistan its isolation among its neighbors and

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contributed to growing neutralist sentiment, which has been encouraged by the government. Bulganin's 3 February offer of a trade agreement and hint at technical assistance took full advantage of this feeling and probably has retrieved for the Soviet Union much of the ground lost on the Pushtoonistan and Kashmir issues.

The American embassy in Karachi suspects that the Bulganin offer and the prompt Pakistani response may have been the result of a joint effort to pave the way for a rapprochement. The Urdu-language press in Karachi has hailed a reported cabinet decision to send a trade delegation to Moscow and the official radio has beamed a broadcast at Indonesia, apparently seeking Southeast Asian sympathy for closer Pakistani ties with the USSR.

If Soviet trade and aid offers prove attractive, the present government will probably move cautiously toward expansion of relations with the USSR. This policy would serve both to please public opinion and put the West under pressure to provide additional aid and political support.

On the domestic political scene, the position of the Moslem League leaders who run the government has been temporarily strengthened by failure of the United Front to carry out its threat to desert the government and join the Awami League in a

united East Pakistani attack on the constitution. Karachi reportedly plans further to consolidate its position by appointing United Front leader Fazul Huq as governor of East Pakistan, dissolving the provincial assembly there and designating the present United Front ministry as a caretaker government until new elections are held.

East Pakistani opposition to the constitution will continue, however, and even if the document is approved by the assembly, the fight may be expected to go on over key issues, such as joint versus separate electorates, which are not resolved in the constitution.

A new threat to the Moslem League may also be rising in West Pakistan in the form of an internal struggle for power. The old "Punjab clique" which includes Prime Minister Chaudhri Mohammad Ali, newly elected Moslem League president Nishtar, and powerful Punjab politician Daultana, is apparently seeking to increase its power at the expense of other provincial groups. The intense political activity currently going on may also be aimed at reducing the influence of Governor General Mirza and Punjab governor Gurmani. The Punjabis apparently hope to dull the East Pakistani challenge and strengthen their own position by attempting to rally popular support through emphasis on Islam in constitutional and political matters. (Con-
curred in by ORR)

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Indonesia

The Indonesian government's unilateral abrogation of the Netherlands-Indonesian Union on 13 February has little international significance but may improve the domestic prestige of the moderate Masjumi party and thereby its chances of participation in the next cabinet.

The Netherlands-Indonesian Union was never effective and was abrogated 18 months ago by a bilateral agreement which, however, was never submitted to the Indonesian parliament and is not recognized by the present Masjumi-led Indonesian government. The cabinet is also considering abrogation of financial

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economic, and cultural agreements with the Netherlands. At the moment, this appears to be designed primarily for domestic political effect, but the Masjumi later may consider itself compelled to take further anti-Dutch measures, which would significantly affect the Indonesian economy.

The Masjumi is basically pro-West, and partly for this reason it has been progressively isolated from other major parties through the tactics of President Sukarno and the opposition National Party. Masjumi leaders fear that unless they bring the Masjumi record in line with the nationalistic, anti-Dutch programs of the other two major non-Communist parties--the National Party (PNI) and the Nahdlatul Ulama (NU), they will be excluded from the next cabinet, which is to be formed in late March or April.

The Masjumi's abrogation of the union will have little or no effect on the party's relations with the PNI, which headed the government that negotiated the unrecognized 1954 agreement, but may improve its relations with the NU, also a Moslem party. Since the NU is the hub of current political maneuvers, Masjumi chances for cabinet participation may have been increased.

A leader of the Nahdlatul Ulama publicly stated on 9 February that his party continued to be primarily interested in a PNI-NU-Masjumi cabinet coalition. NU leaders, however, attach greater importance to co-operation with the PNI, which has the support of President Sukarno, than with the Masjumi. They have justified their preference by claiming that the principal obstacle to co-operation with the Masjumi lay in the middle-of-the-road nationalism

of the Masjumi chairman, Mohammed Natsir.

They reportedly are using the threat of Masjumi exclusion from the cabinet to exert pressure on Natsir from within his own party either to revise his policies or to turn over his party leadership to someone who would put up less resistance to the PNI-Sukarno brand of nationalism. His apparent willingness to go along on the abrogation issue should make him more acceptable both to the NU and to factions of his own party.

Nu leaders and moderate leaders of the PNI are concerned that the alternative to a coalition including the Masjumi would be one which would depend on Communist parliamentary support.

The cabinet, meanwhile, has secured parliamentary approval for an amendment to the election law permitting an acceleration of the selection and seating of elected members of parliament. The amendment also provides that parliament can be installed as soon as four fifths of its members have been selected. If the central election committee can meet the new time schedule, the elected parliament can be installed by mid-March and negotiations for a new cabinet presumably would follow immediately.

Official allocation of seats of parties has been completed, giving the PNI 59 seats, the Masjumi 58, the NU 45, the Communists 39, and all other parties 56. Up to 21 seats will be appointed. The probable merger of some of the small parties with major parties may change slightly this initial parliamentary alignment.

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Soviet-Japanese Negotiations
Still Stalled

Both sides in the Soviet-Japanese talks in London were maintaining their inflexible positions as of the departure of Soviet negotiator Malik on 12 February for the Party Congress in Moscow. In the session on 10 February, Malik reiterated the Soviet offer to return Shikotan and the Habomais, but flatly stated that this was the absolute limit of Soviet territorial concessions and that further Japanese discussion of the southern Kurils would be regarded as deliberate stalling tactics.

In reply to Japanese delegate Matsumoto's insistence that return of the southern Kurils was a national aspiration of the Japanese, Malik said that retention of them was also a national aspiration of 200,000,000 Soviet citizens, and casually asked whether Japan was seeking a rupture of negotiations.

Moscow may be once again trying to get results in the London talks indirectly by causing concern in Japan over

fishing rights in the North Pacific, which are to be regulated after the peace treaty is concluded. The USSR on 10 February publicly threatened to take countermeasures against the "predatory actions" of the Japanese salmon fleet. Japanese fishing interests, which represent a vital economic sector in Japan, reacted immediately to the Soviet announcement by asserting that they would make their own agreement with Moscow if the London negotiations broke down. Tokyo probably fears Soviet retaliation against other fishing activities in waters close to Soviet territory.

Japanese popular opinion has continued to support Tokyo's firm policy at London and has become increasingly critical of Prime Minister Hatoyama's predilection for a quick settlement which would sacrifice Japanese interests. The prime minister is also restrained by his party, which is committed to a policy of firmness in dealing with the USSR.

The Japanese continue to maintain their position that the possibility of a compromise remains.

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Sino-Soviet Bloc Participation
In International Trade Fairs

The Sino-Soviet bloc has sharply increased its participation in international trade fairs as a part of the effort to expand economic relations

with non-Communist countries, particularly the countries of the Middle East, Africa, Southeast Asia and Latin America.

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In 1955, bloc countries participated in more international fairs and exhibitions than in all of the four preceding years, staging 238 exhibits in 149 fairs in 41 countries at an estimated cost of \$38,000,000. Of the bloc countries, Czechoslovakia is the leading participant in fairs held in non-Communist countries, followed by the Soviet Union. Communist China has participated comparatively little, but is increasingly taking part in such displays.

The trade fair program enhances the political as well as the economic influence of the bloc in underdeveloped countries, particularly since it complements the purchase of surplus commodities and the granting of long-term credits for capital development or for arms purchases. Lavish displays of machinery and manufactures serve as selected examples of the accomplishments of the Communist economic

SINO-SOVIET BLOC PARTICIPATION IN INTERNATIONAL TRADE FAIRS 1951-1955					
	TOTAL NUMBER OF FAIRS AND EXHIBITIONS	NUMBER OF COUNTRIES EXHIBITED IN	FREE WORLD COUNTRIES EXHIBITED IN	TOTAL NUMBER OF EXHIBITS	ESTIMATED EXPENDITURES
1951	8	8	6	20	—
1952	20	15	13	92	—
1953	58	23	21	120	—
1954	60	26	23	125	\$ 10,000,000
1955	149	41	32	288	\$ 38,000,000

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system. The exhibits are also used as disseminating points for propaganda on the attractiveness of life in Communist countries and the peaceful aspirations of the bloc.

Sino-Soviet bloc trade promotional activities have been particularly successful in Afghanistan, Argentina, Burma, Egypt, Finland, Greece, Iceland, India, Indonesia, Syria, Turkey and Yugoslavia. Available information points to a continued high level of bloc participation this year in international trade fairs throughout the world, with a trend toward large exhibits in the underdeveloped areas.

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New Moves in Soviet Agriculture

Two new agricultural decrees and related activities suggest a recent acceleration in the USSR's long-standing campaign to establish complete state control over agricultural production and food distribution. These measures also seek to increase total food output, but in the past these two aims have frequently conflicted, with tighter controls provoking a fall in production.

The decree on potatoes and vegetables issued on 30 January ordered increases ranging from 70 to 275 percent in the prices

paid by the state for obligatory deliveries and for allegedly voluntary sales by collective farms and their members.

The new prices not only give the peasants an incentive for higher production, but also serve to channel to the state sales previously made on the free market, which is marked for future extinction.

The intensively cultivated private plots of collective farm members are an important source of supply of these products. The immediate emphasis

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on increasing all potato and vegetable production, including the output from private plots, tends to conflict with the long-range goal of eliminating the private plot.

The milk decree of 9 February ordered an 81-percent increase in 1956-57 over 1955 in state sales of milk and milk products in 55 specified major cities and eight industrial oblasts. No price incentives are offered, but the decree complains of high milk prices in the free market and envisages that "in the main" the demand for milk and its products will be met through state stores. Free markets currently provide about one third of urban milk supplies.

Another device for increasing state control of food marketing is the provision of the Sixth Five-Year Plan that new state farms shall be organized in suburban districts, where they will compete with the free market in supplying the towns with vegetables, potatoes, and dairy products.

A number of innovations have been adopted at a collective farm in Khrushchev's native village of Kalinovka. The members are praised not only for sharply increasing output but for having planted hemp for the communal economy in their private plots and for reserving the less accessible locations for their own gardens.

A number of other measures have been adopted, including the establishment of collective vegetable gardens which will make the private plot unnecessary the building of a communal bakery to give the women more time for work on the tasks of communal production, and the wholesale rebuilding of the

village. The last measure in particular is reminiscent of Khrushchev's abortive "agrorod" scheme of 1950, which was subsequently disavowed.

The publicity concerning the Kalinovka experiment has steadily mounted since last October, when Khrushchev visited the farm. It has been described in lengthy articles in Pravda and the daily agricultural newspaper, and in a pamphlet issued in 1,000,000 copies. In mid-January, a Pravda article by a local party official said that all the collective farms of his district had decided to follow the Kalinovka example.

In seeking to extend agricultural controls, Khrushchev has sought to guard against the disastrous effects of Stalin's previous attempts in two ways. First, state payments to agriculture have been more than doubled since 1952 in an effort to lubricate the process of increasing controls with steadily rising peasant income. Second, the groundwork has been laid in the past two years for the strong political controls which are prerequisite to rural reorganizations of the type which the recent measures suggest.

An influx of Communists into the countryside has created party strongpoints in collective farms and machine tractor stations and bolstered the local party organizations. If these tactics enable Khrushchev to limit further the private plot and the free market, the Soviet regime will no longer be under pressure to increase rural living standards at the expense of gains for the urban population.
(Prepared by ORR)

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World Federation of Trade Unions
Looks for New Location

The international Communist press has been denouncing the action taken on 4 February by Oskar Helmer, Austrian minister of interior, banning the World Federation of Trade Unions (WFTU) from Vienna. The Communists have charged that the ban was ordered by the United States and is in sharp contrast to Helmer's willingness to permit the Americans in Austria to engage in "espionage" activities.

Louis Saillant, secretary general of the WFTU, has asserted that the Austrian government based its action on forged documents indicating that the organization had violated Austrian statutes. Saillant probably will make good his promise to protest to the International Labor Organization (ILO), which will hold a plenary session in June in Geneva, and to the United Nations. The UN Economic and Social Council, in which the WFTU has consultative status, has scheduled a regular meeting of its committee on nongovernmental

organizations from 27 to 29 February in New York. The WFTU may file a protest at that time.

Saillant has claimed that the closing of the headquarters will not keep the WFTU from holding its scheduled meetings but that they will not be held in Vienna. These meetings include an International Conference of Working Women scheduled for June.

The Communists probably consider that continued location of the WFTU outside the iron curtain rather than in a Soviet bloc capital offers propaganda advantages, and helps to dissociate it from the Sino-Soviet bloc. There has been speculation that the WFTU might seek to locate in Italy, Finland, Yugoslavia, or Egypt.

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Foreign Ministers' Conference
On European Integration

The foreign ministers of the six European Coal-Steel Community countries who met in Brussels on 11 and 12 February made concessions to France by deciding to proceed with the EURATOM project without pressing for more than a commitment in principle to the common market, and without insisting that the military uses of nuclear fuels be renounced in perpetuity. Organizational planning generally followed the CSC pattern.

The most important development was the decision not to press France at this time on the common market, for which it was recognized that a French parliamentary majority is still lacking.

Planning for the ministerial meeting of 20 March will still proceed simultaneously on both EURATOM and the common market, but it was tacitly agreed that progress toward the

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former is, at least for the moment, not contingent upon assurances of early approval of the latter. This "divorce" of the two projects may well increase opposition to EURATOM in those countries where many hold that the two are inextricably linked. The foreign ministers, however, apparently regarded this risk as less dangerous than the prospect of indefinite delay.

The ministers also recognized that to renounce the military use of nuclear fuels in perpetuity would create insoluble political problems, particularly in France. They reportedly now intend to seek a formula tying renunciation to the existence of a general disarmament agreement, thus reserving the possibility of manufacturing atomic weapons if no such agreement is reached.

In planning the organizational structure for EURATOM and the common market, the ministers agreed that these should share a common court, assembly, and council of ministers, and that the separate executives should have extensive powers. Although the term "supranational" was carefully avoided, the proposed institutions follow the supranational CSC pattern, and it

is generally recognized that they could not perform their proposed functions without supranational authority.

In this connection, the ministers also agreed to inform the council of the Organization for European Economic Co-operation at its meeting later this month that the CSC countries have decided to create closer ties among themselves in the nuclear energy field. This support of the six-nation formula, despite criticism in the OEEC, may have received unexpected support in the reported decision of the British government to consider association with EURATOM and to oppose only the common market.

According to American embassy officials in Brussels, representatives at the meeting feel the results there add up to a "considerable accomplishment," but they do not discount the troubles which still lie ahead. This concern centers on the fate of the common market project and has revived reluctant consideration in private of the possibility of going ahead with it without immediate French participation, but with a chair left open for France, despite the parliamentary problems such an expedient would pose.

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Peiping Gives New Attention
To Agriculture

Peiping has announced an overly ambitious plan to increase agricultural production by 150 percent during the next 12 years. While actual prospects are believed to be modest, the regime does appear to be giving slightly more emphasis to agriculture, without, however,

significantly reducing the priority given to military and industrial development.

A principal purpose in announcing this unrealistic plan is to depict a prosperous future for collectives in order to counteract the discontent of

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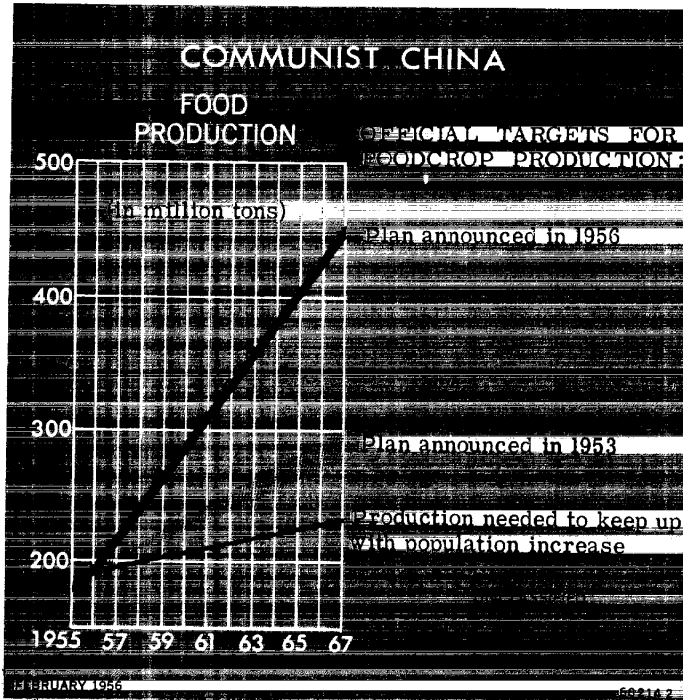
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millions of peasants who are losing property in the current collectivization drive.

Barring sizable losses as a result of collectivization, the new emphasis on agriculture should enable farm output at least to keep up with population growth. The population is expected to increase about 20 percent during the 12-year period of this farm program. A comparable or slightly higher growth in agriculture is probably the minimum necessary to maintain the industrial program.

Even with vigorous government support, however, it is doubtful that China could in 12 years increase farm output by 150 percent. A top official said on 25 January that state financial allocations for the plan "will not be very large, especially during the next several years." Instead, the plan "is to be essentially realized by the peasants themselves, using their own financial and material resources."

Under the circumstances, China's prospects for expansion of farm output are closer to 20 or 30 than to 150 percent. Only a small part of China's need for chemical fertilizer--estimated by Peiping at 20,000,000 tons per year worth about \$1.3 billion if purchased abroad--will be satisfied by domestic production by 1967.



Vague and possibly unrealistic plans for expanding acreage by about 28 percent between 1955 and 1967 have been announced. However, the "new lands" program could add only about 15 percent to food crop production, because of the low productivity of most of the uncultivated arable land in China. Other measures that will probably result in modest increases in food production include expansion of irrigation, double cropping, and planting of acreage in high-yield crops like rice, potatoes, and corn.

The prospect, therefore, is that the average Chinese will not be eating much better in 1967 than now.
(Prepared by ORR)

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New Medium-Range Submarine
In Production in USSR

A new class of medium-range submarine, designated the "Q-class" for intelligence reference, was apparently put into series production by the USSR in 1955, when approximately 10 of these vessels were constructed by the Sudomekh shipyard in Leningrad. Of the 108 new submarines expected to be built in the USSR in 1956, it is expected that 18 will be of this class.

Basically, the "Q-class" appears to be an improved version of the "Shchuka" class. These vessels could patrol European waters in time of war, thus releasing long-range Soviet submarines for more distant assignments. They are about 185 feet long, highly streamlined, and have a theoretical surface cruising range of about 7,000 miles, as compared to 16,500 and 26,000 miles respectively for the long-range "W-"

and "Z-class" submarines. These ranges would be shortened considerably by submerged cruising.

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[redacted] "Q-class" submarines apparently are equipped with a single screw. These submarines probably would be capable of quieter operation and higher speeds than would be possible with a conventional twin-screw installation.

All known "Q-class" submarines are believed to have been built at the Sudomekh yard and there are no indications that construction will be undertaken elsewhere in the USSR. The first three hulls were launched in 1954. [redacted] 25X1
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[redacted] It is estimated that the rate of "Q-class" production will rise to 26 vessels a year by 1957. [redacted]
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PART III

PATTERNS AND PERSPECTIVESPATTERNS OF SOVIET INTERVENTION IN THE NEAR EAST AND AFRICA

Soviet bloc activity in the Near East and Africa in the past year has been part of a carefully planned and skillfully carried out program to exploit political and economic soft-spots in the area.

Pravda editor Shepilov recently told an Asian diplomat that the USSR is for the first time employing "traditional diplomacy" in its Asian and Middle Eastern policy. He said the USSR now has enough economic resources, cultural bases and technical personnel, as well as a sufficiently ordered domestic scene, to enter "new" scenes of world diplomacy.

The Soviet Union's efforts have been directed toward an area historically influenced by the West and dependent on it for stability and security. The sale of arms to Egypt immediately cut the ground from under the 1950 tripartite agreement which Britain, the United States and France had devised to preserve a power balance among the Near Eastern states. Having done this, Moscow offered several formulas for dealing with the new situation, each of them providing, either directly or indirectly, for a strong Soviet voice in future Near East and African affairs.

The latest and most explicit Soviet move of this kind was the Soviet Foreign Ministry's statement on 13 February condemning the introduction of foreign troops into the Middle East "without the agreement of the states concerned and without the sanction of the Security Council."

On several occasions, Moscow has reiterated the offer it made in April 1955 to collaborate with the countries of the Near East on the basis of the "five principles," which stress the sovereignty and independence of all nations. Soviet diplomats later indicated that the USSR would join with the Western powers in neutrality guarantees, specifying in one case Iran, or would enter into bilateral neutrality guarantees with individual states. They also hinted that the Arab-Israeli question might best be solved in the Security Council.

Economic Approach

Moscow has recognized the desire among the Near Eastern states for a maximum of economic progress, particularly industrialization, in a minimum of time. Official Soviet statements and propaganda have called attention to the USSR's quick rise from a peasant economy to a modern industrial state and have encouraged the Afro-Asians to develop their economies along "socialist" lines. The USSR has entered into government-to-government deals, such as the arms deal with Egypt, encouraging these nations to hope for quick economic development and also providing the USSR with a lever with which to influence their policies.

Economic agreements have been concluded without complicated negotiations or delay. Czechoslovakia, acting as "middleman," delivered arms to Egypt one month after the 21 September agreement. Transactions between the bloc and Syria and

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Yemen apparently have taken longer, but not through lack of Communist initiative.

Moscow has avoided making its aid or friendship contingent on internal politics, encouraging Near Eastern leaders to believe they can do large-scale business with the USSR without too great a risk. It has assisted the Middle Eastern dictators and monarchs who have outlawed the local Communist Parties as freely as it has given aid to the South Asian Socialists. Recent offers to Ankara indicate that Moscow believes it can influence even the traditionally anti-Russian Turks.

Political Motivation

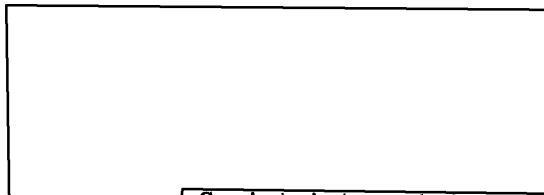
In each case, however, Moscow has moved with an eye to the political effect to be achieved. Its special attention to Egypt undoubtedly was encouraged by Cairo's dissatisfaction with the West's decision to go ahead with the Baghdad pact without Egyptian participation. The Soviet agreement to supply arms was a major factor in giving the Nasr regime the prestige boost it needed to bring Syria formally into an Egyptian-Saudi Arabian bloc opposed to the Baghdad pact. These arms have made Egyptian leadership increasingly attractive to the other Arab states, which always have regarded Israel as a greater threat to their security than the USSR.

In addition, Moscow was fully aware that Premier Nasr, following the Gaza incident, was hard pressed by the Egyptian

army to get additional military equipment in amounts which he could not get from the West because of the tripartite agreement and because he apparently wished to preserve Egypt's foreign exchange holdings. Nasr claimed he had to respond to the army's demands or lose his leadership of the Revolutionary Command Council.

The Soviet bloc's efforts to increase its influence with the Arab states have, over a period of six months, precluded an extension of the Baghdad pact in depth and turned Egypt into the keystone of Soviet planning in the Near East and Africa. The establishment of a "base" in Egypt greatly improved the possibility of extending Soviet influence into Africa, where the existence of American bases and local instability have sharpened Soviet interest.

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Soviet interest in anticolonial uprisings and US bases in Morocco and Libya may cause the USSR to claim its seat on the international administration for Tangier, provided for by a 1945 agreement with the West.

Local Reaction

There are a number of indications that considerable local support for a strong Soviet voice in the Near East is developing. In Syria, Arab Communist leader Khalid Bakhdash apparently

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has gained enough parliamentary influence to bring about rejection of Western aid in favor of bloc offers, while in the UN the Syrian delegate is reportedly following the Soviet line. The recent anti-Western rioting in Jordan, regardless of motivation, effectively served Communist aims.

as the Arab-Israeli question remains unsolved.

Near Eastern apprehension that Communist technicians would pose a threat to the security of any country accepting them apparently is being temporarily dispelled by the exemplary conduct of the technical personnel who have arrived in Egypt. However, Soviet offers to supply technicians or to train Arab personnel in bloc countries will give the USSR a foothold in industry and in the armed forces. The USSR is probably especially interested in sending military technicians to Egypt, where the army has the most important voice in the government.

Results

Use of the tactics of traditional diplomacy has accomplished more for the USSR in the Near East and Africa in one year than its primarily subversive "world revolutionary" tactics accomplished in that area in 35 years.

Moscow has acquired a great-power voice in an area previously under exclusively Western influence and its future maneuvering will play a large role in the area's political and economic development. The USSR is posing as the most revolutionary power of the age in a region that is seething with poorly directed revolutions of its own. The Soviet Union undoubtedly intends to expend enormous efforts to make those revolutions serve Soviet aims. Its successes during the past year have given it a good start. (Concurred in by ORR)

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SPAIN'S FOREIGN POLICY

In recent years, Spain has made little effort to improve its generally cool relations with Western European countries but has intensively cultivated countries in the western hemisphere and the Arab world. In the past few months there have been rumors that Franco might resume diplomatic relations with the USSR and Satellites.

In dealing with the Latin American republics, Franco has laid great stress on the hispanidad concept, a policy which paid off handsomely in the "package deal" admitting Spain to the UN --less than a decade after the General Assembly's resolution ostracizing the Franco regime.

Relations With United States

The keystone of Spain's foreign policy has been the maintenance of friendly relations with the United States. The bilateral pacts of September 1953, in which Spain capitalized on its potential for bolstering Western defense, assured Spain of sufficient American aid to make a good start in revamping its armed forces and developing its backward economy. The pacts also greatly bolstered Spain's diplomatic prestige. Franco's continuing interest in stressing good relations with the United States can be seen in the press treatment of Secretary Dulles' visit to Madrid on 1 November and in the projected spring visit of Foreign Minister Artajo to the United States.

Arab World

Cultivation of the Arab states dates from the end of

World War II when Spain found itself diplomatically isolated. Recently Madrid has sought to capitalize on its cool relations with Western European countries by posing as the champion of the Arab world against Europe, particularly by espousing the cause of Morocco. At the same time, Spain has intimated to the West that it could be useful as a bridge between Western Europe and the Near East. The government press periodically has played up the idea of replacing the Balkan pact with a Mediterranean pact consisting of a number of Arab states plus Spain and Greece and perhaps Italy.

Egypt has been singled out for particular attention by Spain. An Egyptian military mission was received by Franco in October, and in December, a Spanish military mission paid a two-week visit to Egypt. Premier Nasr is scheduled to come to Madrid in October.

The visit of the king of Jordan to Spain last June reportedly will be repaid sometime this spring by Franco and Artajo. These exchanges are being supplemented by trade and cultural agreements. Apparently, however, it is primarily through its espousal of the Moroccan nationalists' cause against the French that Spain hopes to win over the Arabs. In a special interview published on 1 January, Artajo said that "Morocco will not be a stumbling block in Spanish-Arab friendship, but rather a link which strengthens it."

The Moroccan Issue

That Spain possessed a part of Morocco seems to have

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caused it little embarrassment --so long as the French held to an unyielding position in French Morocco. [REDACTED]

Spain is now faced, however, with the demand of Sultan Ben Youssef and Moroccan nationalist leaders for complete independence and unification of the two zones under the sovereignty of the sultan. The Spanish zone nationalists, in the meantime, have resorted to scattered acts of violence.

On 10 January, in a joint communiqué issued by Spanish high commissioner Garcia-Valino and the French resident general, Madrid committed itself to political reforms that should "by parallel evolution permit Morocco to achieve independence while respecting the legitimate interests of both powers"--thus holding out little hope of unification. The announcement, reiterated by Madrid three days later, presages no change in policy.

Western Europe

There are indications that Spain would like closer ties with the Western European countries, but hesitates to take the initiative in view of the hostile attitude of labor and other key groups in these countries.

Franco announced last May that Spain was not interested in joining NATO for the time being since its obligations toward Western defense had been met through its base agreements with the United States and the 1939 Iberian defense pact with Portugal, another NATO member.

In December, however, Foreign Minister Artajo announced that Spain would join if invited, and the American embassy in Madrid anticipates various diplomatic moves on the part of Spain with a view to eliciting such an invitation. Spain also desires full membership in OEEC, in which it has limited observer status.

Madrid seeks closer ties with Bonn, probably for both political and economic reasons. Franco may see in the Ruhr industrialists an important source of assistance in developing the country's industry. He probably also hopes for enough of a resurgence of nationalism in Germany to counter British and French influence on the continent.

Relations With the Soviet Bloc

Despite Franco's belligerently anti-Communist attitude, there have been hints that Spain may not always be averse to establishing formal relations with the Soviet bloc. Spain permitted Soviet and Satellite representatives to attend four international scientific conferences held in Madrid in 1955. In December, the American embassy in Madrid reported a flurry of rumors that the Soviet Union had approached Spain to suggest the resumption of diplomatic relations and the negotiation of a trade agreement.

Trade between Spain and the Orbit was insignificant in 1954 and nonexistent in the first half of 1955, according to official Spanish statistics. Franco has admitted some small traffic in strategic items with the USSR through intermediaries but has declared that the government had no hand in it.

Franco has reportedly set up stiff conditions for any

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serious discussions with the USSR. He has insisted apparently that Moscow first return the remaining prisoners from the "Blue Division," which fought against the USSR in World War II, as well as the gold reserves, estimated as high as half a billion dollars, sent to the USSR in 1936 by the

Spanish Republican government. It appears, therefore, that for the present he is interested only in threatening closer relations with Moscow as a possible lever for inducing the United States to maintain a high level of economic assistance.

* * *

RAILWAY CONSTRUCTION IN COMMUNIST CHINA

Having restored the pre-World War II Chinese railway system, the Communists are concentrating on a vast new rail-line construction program. The Chinese, by the early 1960's, will have four high-capacity, international rail links with the USSR and rail service with all areas of China proper. In the absence of disruption by external attack, this system will substantially reduce the country's historic vulnerability to the effects of a sea blockade, and will greatly increase Communist logistic and military capabilities.

With more than 60 percent of the 15,000-mile, standard-gauge rail network in China

demolished, the Communists in 1949 adopted a long-range construction program designed to extend further their military and political authority.

Economic Significance

The program called for the immediate improvement of traditional rail connections with the USSR in Manchuria, and of the main axis of supply to South China--the Peiping-Hankow-Canton railroad.

Sufficient progress was made to permit a start on the second phase of the program in late 1952--the building of new lines into hinterland and border areas while strengthening of

the existing system continued. The new construction effort has already met with considerable success, and the Trans-Mongolian and Trans-Sinkiang trunk railroads with their ancillary rail construction are reducing the isolation of vast areas of interior Asia. That economic gains will accrue to the bloc through such construction is evident in the initiation of a major

TABLE II

New Railway Construction and Operable Track Mileage in Communist China			
	Track Mileage	Rate of Construction	Planned Construction
Pre-World War II	15,190	---	---
1949	13,454	---	---
1950	13,787	324	666
1951	14,299	511	not available
1952	15,023	298	not available
1953	15,307	365	372
1954	15,803	496	374
1955	16,629	875	600
1956		1,100 est.	683

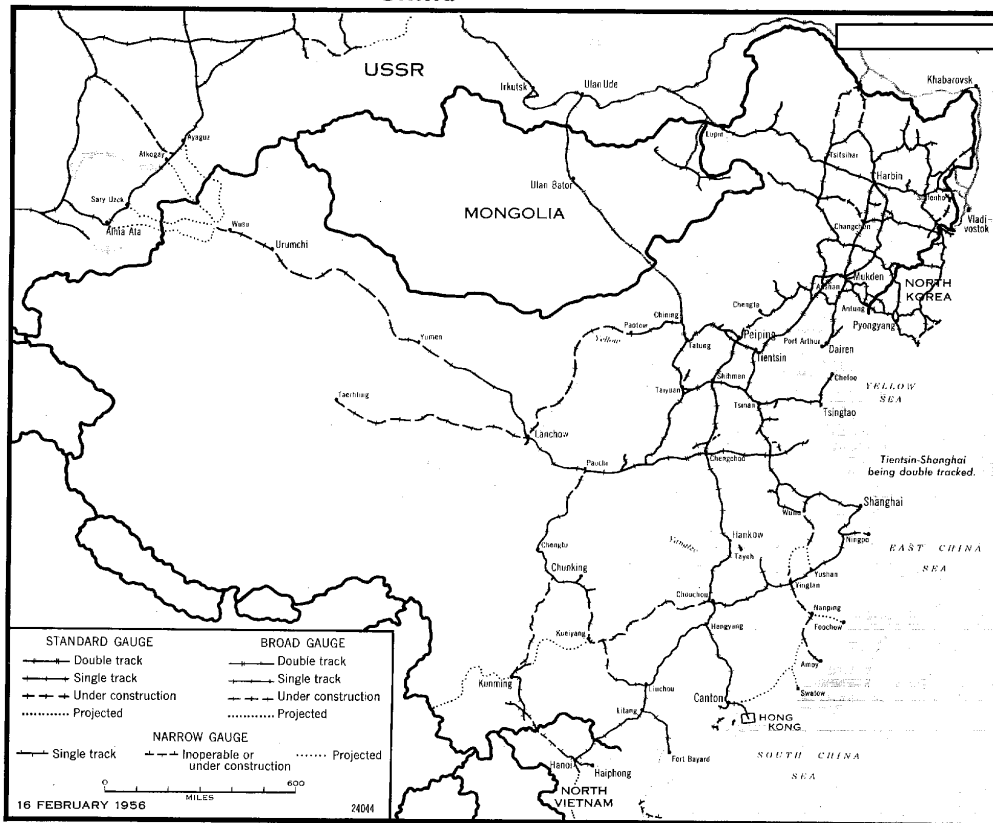
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Railroads of Communist China

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exploration and development program for rich mineral resources in Mongolia, and the northwest Chinese provinces of Sinkiang, Kansu and Tsinghai.

The Communists have profited by utilizing old Chinese Nationalist railway construction plans. Almost every new line built by the Communists has followed previous route surveys of the Nationalists. This has been a major reason for the successful transition in 1954-55, to the last phase of the railway building program--the construction of certain "priority" lines, with vital military as well as economic significance.

Among these have been the unpublicized 197-mile Litang-Fort Bayard line in South China and the 113-mile spur line

to Chefoo on the Shantung Peninsula. Most important of this group, however, is the 418-mile Trans-Fukien line, being built by eight of the eleven military railway engineering divisions. Its completion, perhaps by late 1956, will greatly increase the Chinese Communist military potential in the Formosa Strait area.

Strategic Emphasis

The broad strategic significance of the Chinese Communist railway program is apparent in its emphasis on, and acceleration of, the construction of international ties with the USSR and a new 2,000-mile-long, north-south trunk system more than 600 miles from the nearest coast.

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Masonry fill and bridge on Kunming-Hanoi line.
Terrain is typical of that in West China.

Extending from Ulan Ude in the USSR, to Hanoi in North Vietnam, via Paotow, Lanchow, Paochi and Kunming, this protected inland rail axis may be completed in the next two years. It is being connected with lateral east-west routes both north and south of the Yangtze River which will provide a flexibility of rail movement never before available in China.

On the completion this summer of the Paochi-Chengtou section of this axis, rice-rich Szechwan will considerably increase its grain shipments to other parts of China. Completion of this transport axis to its southern terminus in North Vietnam will also greatly increase Communist military and logistic capabilities along the periphery of Southeast Asia.

Soviet Assistance

The increase annually in new rail construction, from 324 miles in 1950 when the primary effort was in

rehabilitation, to 875 miles in 1955, also reflects both extensive Soviet technical assistance and increasing Chinese proficiency in planning and construction techniques. Depending at first on Japanese railway personnel for planning, the Chinese soon acknowledged the presence of "top-level" Soviet advisers on every major rail project. Where lines being restored carried a lower priority, Soviet technicians ap-

parently directed the activity from the planning bureau of the Ministry of Railways in Peiping.

The Chinese, characteristically, have contributed human resources and their own construction



Bridge construction on the Paochi-Chengtou line, using a 65-ton Soviet-type crane built in China.

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