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# CURRENT INTELLIGENCE WEEKLY SUMMARY

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CURRENT INTELLIGENCE WEEKLY SUMMARY

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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

TITO'S POSITION ON THE EVE OF HIS MOSCOW VISIT . . . . . Page 1

On 2 June, just one year after the Khrushchey-Bulganin visit to Belgrade, President Tito, Vice President Kardelj and Foreign Minister Popovic are scheduled to arrive in Moscow for a three-week state visit. Tito will probably not change his position on world questions during his visit, but may press his complaints against some of the Satellites, particularly Albania. [redacted]

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IMPENDING CONFIDENCE DEBATE IN FRENCH ASSEMBLY . . . . . Page 2

In the confidence debate opening on 31 May in the French assembly, Premier Mollet has made all the policies of his government the issue, thus hoping to split his potential opponents, most of whom favor some of his policies but object to others. Mollet's position has been little affected by the resignation of Vice Premier Mendes-France on 23 May over Algerian policy. [redacted]

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PART II

NOTES AND COMMENTS

ARAB-ISRAELI SITUATION . . . . . Page 1

The attention of Arab and Israeli diplomats is focused on the resolution introduced in the United Nations on 29 May by Britain. The Arabs apparently contemplated no action if the resolution merely noted Secretary General Hammarskjold's report, but planned to oppose any new attempts to bring them together with the Israelis. [redacted]

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CAIRO SEEKS FURTHER ARAB RECOGNITION OF PEIPING . . . . . Page 1

Cairo's decision on 16 May to recognize Communist China has raised Peiping's international prestige at the expense of the Chinese Nationalists and increased the likelihood for further Communist diplomatic gains in the Near East. Cairo is putting diplomatic pressure on the other Arab states to recognize Peiping. Premier Nasr and an Egyptian military delegation have accepted an invitation to visit Communist China, but no date has been set. [redacted]

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JAPAN MOVES TOWARD CLOSER RELATIONS WITH COMMUNIST CHINA . . . . . Page 2

Japanese moves to exchange unofficial trade representatives with Communist China have been spurred by domestic demands for more trade and the prospects of restored relations with the Soviet Union. Tokyo is willing to elevate the trade missions to official status at a later date but will try to delay granting diplomatic recognition to Peiping. The Japanese believe that expansion of their trade with China is contingent on their meeting Communist demands for goods now embargoed by CHINCOM regulations. [redacted]

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PEIPING ENLARGES INVESTMENT IN AGRICULTURE . . . . . Page 3

Following last winter's all-out drive to bring the Chinese peasantry into collective farms, Communist China for the first time in its history has earmarked a significant amount of foreign exchange and investment funds for agriculture. Peiping, anxious to forestall resentment of collectivization by providing tangible evidence of the benefits it will bring, has increased its imports of chemical fertilizer and has advanced the schedule for construction of tractor factories. A major increase in small farm machinery production also is planned in 1956. [redacted]

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USSR ESTABLISHING BOARDING SCHOOLS FOR THE ELITE . . . . . Page 4

The USSR is rapidly establishing a large number of boarding schools, as called for in Khrushchev's speech at the 20th Party Congress. These schools will probably be largely restricted to children of high-level government and party officials and will offer a higher caliber of instruction than provided by the general school system. [redacted]

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USSR STEPS UP CAMPAIGN FOR RETURN OF NATIONALS . . . . . Page 6

In recent weeks, the USSR has intensified its efforts to induce the return of former Soviet citizens living abroad. The campaign, which appears to be well organized and co-ordinated, has been carried into the western hemisphere, but it is focused on Western Europe. Measured in numbers, the effort has had limited results, but the USSR probably regards it as a success in terms of the psychological effects. [redacted]

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PUBLIC CRITICISM SUBSIDES IN POLAND . . . . . Page 7

Open criticism of the Polish government, which was vehement in late April, has almost disappeared from the Polish press and radio in recent weeks. This is probably a result of First Secretary Ochab's warning against criticism which undermines party unity or party policies. While the lull will give the regime time to institute some of its promised reforms, these probably will not be extensive enough to satisfy the more liberal groups. [redacted]

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USSR SLOWING GROWTH OF LARGE CITIES . . . . . Page 8

The Soviet government is attempting to slow the growth of large Soviet cities. This program is designed to ease a tight housing situation and to channel labor eastward to new areas under development. [redacted]

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SOUTH KOREA . . . . . Page 9

President Rhee's statements and appointments since the 15 May elections indicate that he plans no major changes in government policy and that he will attempt to isolate and discredit Chang Myon, the vice-president-elect from the opposition Democratic Party. Certain of his appointments, notably that of "Tiger" Kim as director of the national police, point to a more ruthless use of police controls. [redacted]

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VIET MINH MILITARY ACTIVITY . . . . . Page 10

While several recent reports suggested an increase of Viet Minh military activity near the 17th parallel, there has been no indication of a major manpower and logistical build-up in the vicinity of the parallel. [redacted]

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SOUTH VIETNAM . . . . . Page 11

South Vietnam's political stability will be further bolstered by the adoption shortly of a constitution. The virtual elimination of hostile sect units permits greater flexibility in the deployment of the armed forces and makes possible concentration on the task of uncovering Viet Minh clandestine operations. The government is now turning its attention to economic and social problems, which, if left unresolved, might afford the Viet Minh a convenient basis for long-term subversion.

[redacted]

BURMA . . . . . Page 12

The Burmese government has moved to hold to a minimum Communist gains in the elections for the upper house, the Chamber of Nationalities. These elections are now in progress and will continue through July. Despite the government's maneuvering, the Communists are expected to gain, for the first time, at least token representation in the Chamber of Nationalities, Burma's most important forum for the expression of minority discontent.

[redacted]

PAKISTAN . . . . . Page 13

Near-famine conditions in East Pakistan and the beginning of a food shortage in West Pakistan present President Mirza and Prime Minister Chaudhri Mohammad Ali with complex problems in the eighth week of Pakistan's political crisis.

[redacted]

FRENCH NORTH AFRICA . . . . . Page 14

An agreement permitting Morocco to exchange diplomatic representatives with other states was signed in Paris on 28 May. Despite the lack of an equivalent agreement between France and Tunisia, Tunisian prime minister Bourghiba has appointed a minister to Saudi Arabia. In Algeria, France continues its military pressure while making contacts with Algerian nationalist leaders.

[redacted]

GREEK POLITICAL SITUATION . . . . . Page 14

The resignation of Greek foreign minister Theotokis after the Karamanlis government had won a parliamentary vote of confidence is evidence of heavy opposition pressure for a firmer approach on Cyprus. The opposition is not satisfied with Theotokis' departure, and Karamanlis may find it necessary to take a firmer stand in relation to the British.

[redacted]

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TENSION RISING IN HONDURAS . . . . . Page 15

Political tension in Honduras between the de facto regime of Chief of State Julio Lozano and his opponents of the right and the left is mounting as maneuvering begins for control of the constituent assembly, which is tentatively scheduled to be elected in October.

[Redacted]

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PART III

PATTERNS AND PERSPECTIVES

SOVIET BLOC ACTIVITIES -- LATIN AMERICA . . . . . Page 1

During 1956, several Latin American countries have responded favorably to Soviet bloc economic overtures, and further economic contacts between the bloc and such countries as Argentina, Brazil, Colombia, Cuba and Uruguay are likely. Response to Soviet efforts to establish diplomatic relations in the area were generally negative. It is possible that A. I. Mikoyan will make a tour of Latin American countries soon.

[Redacted]

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SOVIET CONTRIBUTIONS TO UN TECHNICAL ASSISTANCE FUNDS . . . . . Page 4

In addition to its political and economic activities in Asian areas, the Soviet Union has succeeded in using the United Nations' technical assistance program to further its aims in such countries as India. The Soviet financial contribution to the program has been in nonconvertible rubles. The recipient countries have therefore been forced to spend the funds in the USSR on Soviet goods or services. As a result, the Soviet Union has been able to obtain political and economic influence in the Asian countries disproportionate to its small financial contribution to the UN program.

[Redacted]

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MODERNIZATION OF SOVIET INDUSTRY . . . . . Page 7

As part of the Sixth Five-Year Plan (1956-1960), the USSR has launched a major drive to modernize its industry and achieve American standards of production efficiency and labor productivity. The goals for replacement of obsolete machinery and for eventual mechanization and automation are feasible and can probably be achieved.

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PEIPING'S VIEWS ON THE TAIWAN PROBLEM . . . . . Page 10

The Chinese Communists, while building up their military capabilities for an assault on Taiwan, continue to assert that they will "liberate" the island by peaceful means "if possible." Communist leaders have expressed confidence privately that the Nationalist government will fall through subversion, and there are indications that Nationalist morale has deteriorated to some extent during the past year.

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## PART I

OF IMMEDIATE INTERESTTITO'S POSITION  
ON THE EVE OF HIS MOSCOW VISIT

On 2 June, one year after the Khrushchev-Bulganin visit to Belgrade, President Tito and a delegation including his wife, Vice President Kardelj and Foreign Minister Popovic are scheduled to arrive in Moscow for a three-week state visit. Yugoslav leaders have been working hard to strengthen their ties with both the Soviet bloc and the West.

Contacts With West

Tito has been engaged in numerous diplomatic visits this spring. In April he received the Belgian and Norwegian foreign ministers and succeeded in reassuring them about Yugoslavia's position. His visit to Paris early in May impressed the French favorably. He tried to convince the French leaders that Yugoslavia desired firm political relations regardless of the French decision on economic aid.

In March, Yugoslavia reached settlements with two of its principal trading partners, West Germany and Italy, on long-standing economic issues that had been politically irritating.

In recent weeks, the Yugoslavs have indicated they still desire American military aid. On 16 May, Yugoslavia reversed its earlier stand and agreed to allow additions to be made immediately to the US Military Aid Staff. This reaffirms the agreement worked out last October by Tito and Deputy Under Secretary of State Murphy.

Along with its increasing reliance on the USSR for economic assistance, Yugoslavia continues to express interest in Western economic aid, particularly American surplus wheat, and is negotiating for French and American financing of the Majdanpek copper development.

Relations With Soviet Bloc

Yugoslavia has expressed general satisfaction with the development of its relations with the Soviet bloc. Belgrade has scheduled 12 percent of its total foreign trade this year with the USSR and about an equal amount with the Satellites and Communist China. It has concluded credit agreements with the USSR totaling \$204,000,000, and arrangements with the Satellites give it another \$95,000,000. It has also started to buy wheat from the USSR and had an observer at the 18-25 May meeting of the Council for Mutual Economic Assistance. The problem of World War II reparations payments owed by Hungary appears to be on the verge of a satisfactory solution.

In the political area, party contacts with the USSR are progressing at the gradual pace Belgrade apparently desires. At the Moscow meeting, Tito may press his complaints against some of the Satellites, particularly Albania, which have been reluctant to make any significant concessions to Yugoslavia.

Tito will probably not change his position on world questions during his visit.

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On both the German re-unification and disarmament questions, his position is already similar to that of the USSR. He is unlikely to abandon his personal belief in the necessity of NATO, even in private talks.

The Soviet leaders may not make any spectacular proposals for improved Yugoslav-Soviet

relations, probably because they are satisfied with their present development. They probably look on Tito's visit as valuable in itself and believe the non-Communist world will regard the visit as evidence of still closer relations between the two countries and of Moscow's eagerness for increased contacts with other Socialist states and parties.

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IMPENDING CONFIDENCE DEBATE  
IN FRENCH ASSEMBLY

Premier Mollet faces the assembly debate on all the policies of his government--beginning 31 May--with most of the parliamentary groups favoring one part of his program but opposing another. Mollet's position has been little affected by Vice Premier Mendes-France's resignation on 23 May over the Algerian policy.

Mollet evidently chose the comprehensive issue of confidence in his policies in the expectation that attacks from the left and right would cancel each other out.

Despite a stepped-up Communist campaign for immediate peace in Algeria, the Communist Party supports Mollet's domestic reform program and may be reluctant at present to impair chances of closer Communist and Socialist co-operation. The Communist Party has moved up its central committee meeting to 4 June, and this is seen as an indication that the party is planning to abstain or vote against the government.

The rightist and center Popular Republicans, while

increasingly dissatisfied with the Moroccan convention and the Tunisian negotiations as too far-reaching, generally approve his military measures in Algeria and are hesitant to make Mollet a prisoner of Communist votes.

There is considerable reluctance in the assembly generally to precipitate a cabinet crisis before the results of Mollet's Algerian measures are apparent, particularly since any new government would require Socialist support, if not participation. Mollet's and Pineau's conduct in Moscow, moreover, seems to have been generally satisfactory to the assembly.

The government may use its interest in an Indian offer to mediate the Algerian dispute in order to appeal to the Communists as well as to the Socialists and Radicals to maintain solid support on the left. It can, moreover, cite progress in negotiations with Algerian leaders in Geneva to appease those who favor negotiations and fear the results of an all-out military campaign.

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So far Mendes-France is the only minister to withdraw from the government, and he has emphasized the personal nature of his resignation and has told his Radical Socialist Party that the present coalition is the best obtainable.

While Mollet's coalition thus appears to have avoided an immediate crisis, some

prominent Socialists in the cabinet are sympathetic to Mendes-France's demands for a more liberal Algerian policy. Many Socialists resent Mollet's willingness to bear the responsibility for an Algerian policy acceptable to the right, and they are increasingly prone to be influenced by Communist agitation against the military measures in Algeria.

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## PART II

NOTES AND COMMENTS

## ARAB-ISRAELI SITUATION

The attention of Arab and Israeli diplomats is focused on the resolution introduced in the United Nations on 29 May by Britain. The Arab attitude toward the resolution was forecast by a Syrian Foreign Ministry official's statement that the Arabs contemplated no action if the resolution merely noted Secretary General Hammarskjold's report. If, however, the UN adopted his report or suggested further moves, the Arab states could be expected to "clarify" their position and to oppose any new attempts to bring the parties together.

This attitude seems consistent with the relative calm that has settled over the area since Hammarskjold returned to New York. The Arabs appear to be more confident that time is on their side, at least as long as they are reasonably confident of support from the Soviet bloc. The Israelis, who have repeatedly stated that only arms can give them real security, appear to feel less isolated since some Western arms shipments to them have been resumed.

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CAIRO SEEKS FURTHER ARAB  
RECOGNITION OF PEIPING

Cairo's decision on 16 May to recognize Communist China has raised Peiping's international prestige at the expense of the Chinese Nationalists, stirred up favorable comment in other Near East countries, and has increased the likelihood of further Communist diplomatic gains in that area. Peiping is seeking to exploit its success in Egypt, and may be recognized by some additional Arab states before the fall meeting of the UN General Assembly in November, but Chinese Communist efforts appear unlikely to produce a general response at this time.

Chinese Communist propagandists have been jubilant over Peiping's success in Egypt. Communist broadcasts have celebrated Egyptian recognition as a great victory over "colonialism" which has "opened the gate" for

similar moves by other Arab states. Peiping's propaganda, shrewdly pitched to play on Middle East nationalism, has been echoed by the Egyptians. Cairo is also putting diplomatic pressure on the other Arab states to encourage recognition of Communist China, according to the Libyan prime minister.

Press reports say diplomatic missions exchanged by Cairo and Peiping are to be on the ambassadorial level. According to a report broadcast from Peiping on 31 May, Brigadier General Hasan Raghieb, now Egyptian under secretary of state for war and navy, will be Cairo's representative in Peiping. Raghieb is generally given credit for working out details of the Soviet-Egyptian arms deal.

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The Chinese Communists have invited Premier Nasr and an Egyptian military delegation to visit Peiping. On 24 May, Cairo announced acceptance of these invitations. No date has been set for Nasr's visit, but the military delegation will reportedly leave for China soon. A Cairo press report says Chou En-lai has accepted an invitation from Nasr to visit Egypt, but official confirmation is still lacking.

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**JAPAN MOVES TOWARD CLOSER  
RELATIONS WITH COMMUNIST CHINA**

Japanese government approval on 22 May for the exchange of unofficial trade representatives with Communist China is a response to rapidly rising pressures within Japan for the normalization of relations with a prospective major trading partner. It was probably accelerated by Agriculture Minister Kono's agreement with the USSR on fishing and on the resumption of diplomatic talks. Foreign Minister Shigemitsu told Ambassador Allison on 23 May that the Japanese government would do little to reverse the trend toward relations with Peiping.

The Japanese decision to exchange trade representatives at this time apparently stems from a strong reaction within Japan to several international developments which the Japanese feel threaten to isolate them from the China mainland market: France's plan to establish a permanent trade mission in Peiping; Britain's use of the CHINCOM "exception" clause to ship embargoed goods to

Communist China; and Egypt's recognition of Peiping, which Japan expects other Middle Eastern nations to follow.

Perhaps most important of all, the Japanese inclination to normalize relations with Peiping was influenced by the recent Moscow agreements on fishing and the prospect of restored relations with the USSR. The Japanese see little reason to differentiate between the USSR and China in this matter.

Foreign Minister Shigemitsu, who is uncertain of retaining his post, appears to have exercised a positive and leading role in the decision to exchange trade representatives. Heretofore, he has advocated a "go-slow" policy concerning relations with the Communist bloc, and particularly has been opposed to concessions to the USSR unless Japanese territorial demands were met. Amid reports that his policy has been discredited by Kono's concessions

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to the USSR in return for a fishing agreement, Shigemitsu may be trying to row with the current.

Sino-Japanese trade is limited by Communist unwillingness to supply iron ore and coking coal unless Japan in return supplies embargoed goods, such as steel products and wooden ships. To test American reaction and possibly as a step toward meeting Communist wishes, Japan plans to exhibit embargoed goods in Peiping and Shanghai trade fairs this autumn.

Japan reportedly is willing to conclude a payments agreement with Peiping before granting official status to trade representatives. The Japanese government then probably would seek to delay diplomatic recognition of Communist China, if only to prevent complications with the United States and Nationalist China. Peiping, however, can be expected to continue to press for full diplomatic relations.

[REDACTED] (Concurred in by ORR)

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**PEIPING ENLARGES  
INVESTMENT IN AGRICULTURE**

Following last winter's all-out drive to bring Chinese peasants into collective farms, Communist China for the first time in its history has earmarked a significant amount of foreign exchange and investment funds for agriculture. Peiping, anxious to forestall widespread resentment of collectivization by providing tangible evidence of the benefits it will bring, has increased imports of chemical fertilizer and has advanced the schedule for construction of tractor factories. A major increase in small farm machinery production also is planned for 1956.

The diversion of investment funds probably will not appreciably retard the industrial program at this time because its principal difficulties appear to be technical and planning problems, rather than a shortage of capital. In any case, many important elements of the industrial program are well ahead of schedule.

Fertilizer

Recent contracts signed with non-Communist countries

have indicated to the American consul general in Hong Kong that Peiping's imports of chemical fertilizer over the next year may total 2,000,000 tons. The original schedule for the entire First Five-Year Plan period, 1953-1957, called for the import of only 3,000,000 tons. The import of 2,000,000 tons would cost about \$150,000,000--one third of the value of China's imports from the non-Communist world and 8 percent of its total imports.

The supply of chemical fertilizer, including a small amount from domestic production, was 130,000 tons in 1936, 500,000 tons in 1953, and 1,100,000 in 1955. The 2,500,000 tons which may be available for the 1957 crops are still far below China's needs, which Peiping has estimated to be 20,000,000 tons annually.

Tractors and Plows

The USSR has helped push construction of tractor factories in China more rapidly than scheduled under the First Five-Year Plan. Construction has been accelerated on the one

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factory to have been started by 1957 under the plan, and two additional factories are being built. The largest, at Loyang in central China, is to produce 15,000 54-hp tractors annually. Two smaller ones, at Tientsin and Nanking, are to produce 24-hp and 37-hp tractors. These plants should meet a substantial part of China's agricultural requirements after 1958. Because of their lightness, the tractors produced at these plants would have little use other than for agriculture.

To meet its tractor needs, Peiping continues to import from bloc countries, while attempting to secure agricultural tractors from nonbloc countries. Licenses for the export to China of a total of 175 sample tractors

have been granted by Britain and West Germany and an Austrian firm has an order for up to 1,000.

Many small machinery factories in Shanghai and other cities were converted in recent months to the production of agricultural equipment, and a large Soviet-equipped farm machinery factory has been established at Peiping. The 1957 production plan for two-wheeled, animal-drawn plows, on which the industry is concentrating, was doubled in January to 4,000,000. This is eight times the number produced in 1955. The value of 4,000,000 plows alone would represent from 15 to 20 percent of the planned output for the machine-building industry in 1956.   
(Prepared by ORR)

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USSR ESTABLISHING  
BOARDING SCHOOLS FOR THE ELITE

The USSR is rapidly establishing a large number of boarding schools, as called for in Khrushchev's speech at the 20th Party Congress. These schools will probably be largely restricted to children of high-level government and party officials and will offer a higher caliber of instruction than provided by the general school system.

According to Khrushchev, the schools are to be modeled after

aristocratic schools of tsarist times such as those "for the corps of pages, the cadet corps, and institutes for daughters of the gentry." The schools, Khrushchev pointed out, should be placed in "the suburbs, in holiday resorts and in forest surroundings." Fee for admission would depend on the ability of the parents to pay and no effort or money would be spared in providing the best facilities and teachers.

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While Khrushchev gave the impression that the selection of students would be on a completely egalitarian basis, there is little doubt that, as is now the case with such exclusive schools as the Suvorov Military academy, only those with sufficient influence and money will ordinarily be able to enter their children.

The establishment of boarding schools may have been prompted in part by the recent major changes in the 10-year school system. With the rapid advance in the last several years toward attainment of universal secondary schooling, changes have been introduced to make the system more suitable for mass education. Manual and practical training is being emphasized more in the curriculum, and tuition fees for the last three school years--once an obstacle for low-income families--have been abolished.

The establishment of a special school network would enable children of the Soviet elite to continue to receive a privileged education and thereby retain the same status as their parents. The problem of growing juvenile delinquency, apathy, and rejection of Soviet mores among the children of this class may also have been a factor in the decision to set up boarding schools. The aristocratic schools to which Khrushchev referred were known for instilling in their graduates a feeling of

school pride, duty toward the regime, and identification with the established order.

References to the boarding schools as facilities for the children of widows and families where both parents work, appear calculated primarily to disguise from the general public another special privilege for the upper party and government hierarchy. Even this camouflage would appear insufficient to offset the characteristic bluntness with which Khrushchev chose to cite aristocratic tsarist schools as their models.

Plans for implementation of Khrushchev's proposal were drawn up almost immediately after the party congress. In early May a meeting, attended by secretaries of the Communist Party central committee, including Khrushchev, was held to discuss a draft statute on boarding schools.

The meeting was followed by a RSFSR education conference which called for the establishment of boarding schools in every oblast by the next school year. Enthusiastic support from the upper strata of Soviet society may explain the speed with which measures to set these schools up are being taken by the regime despite the strain such measures will place on the already overtaxed school expansion plan.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

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USSR STEPS UP CAMPAIGN FOR  
RETURN OF NATIONALS

In recent weeks, the USSR has intensified its efforts to induce the return of former Soviet citizens living abroad. The campaign, which appears to be well organized and coordinated, has been carried into the western hemisphere, but is focused on emigrés residing in Western Europe. Measured in numbers, the effort had limited results, but the USSR probably regards it as a success in terms of the psychological effects.

Propaganda Appeal

Refugees are being flooded with propaganda urging them to return to the homeland. The appeal emphasizes the improvement in the conditions of life in the postwar Soviet Union, and offers good jobs and homes to all those who elect to return. The amnesty of September 1955, which removed from criminal responsibility those who were deported or who fled from the USSR during the war, continues to provide a further attraction.

Much of the propaganda directed at emigrés is intended to undermine their morale and their will to resist Communism. Individual refugees receive, through the mail and via broadcasts, emotional appeals from relatives and friends inside the Soviet Union. The Committee for Return to the Homeland, which spearheads the campaign from East Berlin, regularly publishes articles by "repatriates" describing their happy existence in the Soviet motherland. Such propaganda is designed to influence especially those refugees who, 11 years after the war, are

still sustained by charity in the displaced-person camps of Europe.

Attempts to discredit emigré political organizations continue. The leaders of anti-Communist groups are incessantly portrayed as agents of Western intelligence services and vilified by charges of using terrorism and repression against former Soviet citizens who wish to be repatriated. The USSR hopes by such methods to sow dissension among the rank-and-file emigrés and to discourage their participation in anti-Communist activities. More important, it seeks to destroy the effectiveness of those organizations whose very existence is a constant reminder of the possibility of defection and resistance.

Results

The blandishments have yielded few returnees. Diplomatic requests by Moscow for a complete list of former Soviet citizens in Germany, handed to the Bonn government in March and May of this year, were refused with the statement that only 31 refugees in Germany had expressed a desire to be repatriated. The recent arrival in Odessa of a claimed 800 returnees from South America provided the USSR with a propaganda bonus, but was not followed by the wave of repatriations apparently expected. Pressures on emigrés living in North America have served only to indicate that the USSR is aware of the identities of many persons living under assumed names.

Soviet government instructions on the handling of returnees are likely to prove detrimental to the campaign for the return of nationals as soon as

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they are publicized throughout the emigré community. The directives clearly indicate that returnees will receive those jobs least desirable to Soviet citizens--work in coal and iron mines and in lumbering enterprises.

The campaign, which will probably be intensified, aims not only to destroy bases of opposition abroad by returning

as many people as possible to Communist control, but also to discredit the West as a haven for those who have fled or desire to flee from Communism. The presence of repatriates in the Soviet Union will act as a deterrent to further defection, and their propaganda descriptions of the misery of life abroad will help further to convince the Russian citizens of the superiority of the Soviet system. [REDACTED]

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## PUBLIC CRITICISM SUBSIDES IN POLAND

Open criticism of public affairs in Poland, which was vehement in late April, has almost disappeared from the Polish press and radio in recent weeks. This is probably a result of First Secretary Ochab's warning against criticism which undermines party unity or party policies. The lull will give the regime time to institute some of its promised reforms, but these probably will not be extensive enough to satisfy the more liberal groups.

The last outbreak was the publication in the Warsaw daily Zycie Warszawy on 6 May of a letter by over a dozen Warsaw architects protesting the removal of the chief architect of Warsaw. The letter claims that the party and government leaders should be blamed, as well as the chief architect, for errors in the rebuilding of Warsaw since they directed his work. Since then, according to the American embassy in Warsaw, almost all criticism has disappeared from the newspapers, except for a few mild articles in the youth paper Poprostu.

Ochab's early warnings, which were not widely publicized, had little effect, and the intensity of the criticism mounted until some groups were demanding the removal of those high officials responsible for Stalinist practices of the past. His public warnings late in April that the attempts of "ideologically unstable" groups to take advantage of the increased freedom would not be tolerated apparently have had more effect. The reported removal of Roman Werfel, editor in chief of the party paper Trybuna Ludu, for failing to keep the de-Stalinization campaign within permitted limits, probably has served to emphasize the determination of the regime to reassert its control.

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the "liberals" in the party, who have been pressing for greater freedom, have in the past retreated under regime pressure, only to renew their campaign as soon as the pressure was eased. They probably again have decided that they have made all the progress possible for the present, and

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that it would be wise to await the outcome of the regime's promise of reforms.

In the past three weeks, the government has at least started a reform program by announcing changes designed to eliminate some controls

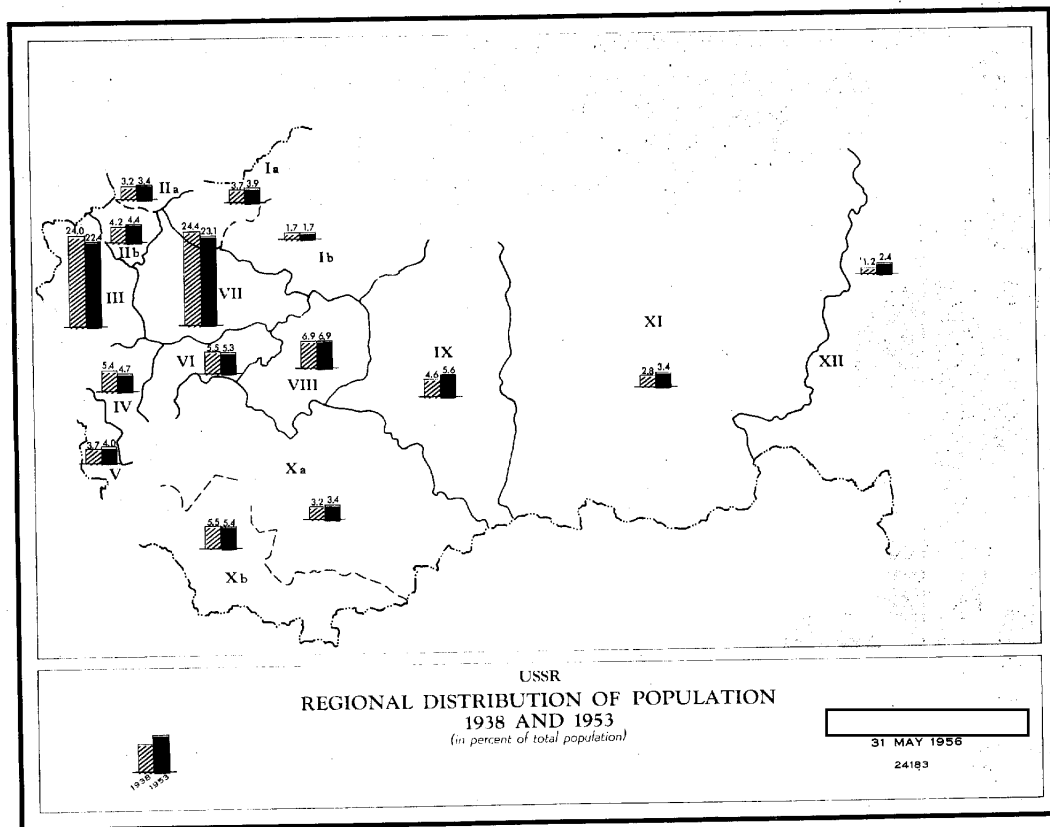
over university faculties. The draft of a new and more enlightened penal code has been presented and the regime has asked for suggestions to improve the code further before its adoption. The government has also promised judicial reforms.

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**USSR SLOWING GROWTH OF LARGE CITIES**

The USSR is attempting to slow the growth of large Soviet cities. This program is designed to ease a tight housing situation and to channel labor eastward to new areas under development.

The Minsk city council received a recommendation from the Byelorussian central committee on 6 May to forbid the employment of new workers within the city unless they are to work in new factories or are already



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registered as residents. A housing shortage was cited as the reason for the recommendation. It also called for a ban on organized recruiting of village labor for work in Minsk and for strict observance of the decreed norm of nine square meters of housing per person in registering new residents, as well as for tightening internal passport requirements.

Khrushchev played up this program in his speech at the 20th Party Congress. He stressed its importance in improving urban housing, which remained at its low level in Moscow because large-scale housing construction was nullified by population growth. Khrushchev noted that there had been 300,000 arrivals in the city during the past five years, and said that the practice of drawing manpower to the cities from other places could be stopped easily since "new industrial construction in large cities is no longer done." Besides stopping the

influx from outside, Khrushchev expressed the desirability of thinning the population of large cities by suburban development.

Besides improving urban housing conditions, restricted entry to urban areas helps channel labor and demobilized personnel to the areas in which the government wants them to work. Since late 1953, 1,300,000 workers, including at least 350,000 members of the Komsomol Communist youth organization, have been sent into the "new lands" of Kazakhstan and Siberia. Now upward of half a million Komsomol members are to be recruited and sent to develop industry in the eastern regions during 1956 and 1957. According to Soviet writers, a total of 3,000,000 additional workers will be needed in the eastern areas to carry out the industrial and agricultural program of the Sixth Five-Year Plan. [redacted] (Prepared by ORR)

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SOUTH KOREA

President Rhee's new cabinet appointments, together with his statements since the 15 May election, indicate that he does not intend to change his policies or methods of control because of the show of opposition strength at the polls.

Rhee has been outwardly cordial to his Democratic vice-president-elect, Chang Myon, but has stated that he will

brook no interference by Chang with the affairs of the government. In a press conference, Rhee called attention to the fact that Chang received a minority of the total vote for vice president. [redacted]

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Rhee's recent cabinet changes appear to have been prompted primarily by a desire

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to meet the objections of Liberal Party assemblymen. Two of the new ministers are members of the assembly, whose leaders have long called for representation in the cabinet, while two of the officials replaced-- Defense Minister Son Won-il and Economic Co-ordinator Paek Tu-chin--have been the targets of assembly criticism. Rhee's action may have forestalled a bipartisan move in the direction of parliamentary government for South Korea. The Democratic Party has called for such a change, but will be unable to press in this direction without considerable support from Rhee's Liberal Party.

Appointment of the ruthless Kim Chong-won ("Tiger" Kim) as director of the national police suggests that Rhee contemplates no change in his methods of control, and it may even

foreshadow a tightening of police authority. Kim's appointment follows his delivery of a sizable election majority for Rhee and Yi Ki-pung in an opposition stronghold, South Cholla Province [redacted]

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The American embassy observes that the promotion of Kim and other police officials disregards popular sentiment and is likely to bring a strong adverse reaction. Antiadministration sentiment, which materialized in the election despite police efforts to "educate" the populace, would probably increase should the administration attempt to restrict opposition activities. [redacted]

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## VIET MINH MILITARY ACTIVITY

While several recent reports suggested an increase of Viet Minh military activity near the 17th parallel, there has been no indication of a major manpower and logistical build-up in the vicinity of the parallel.

The Viet Minh has decided to evacuate all children and older men and women from the area just north of the 17th parallel by the end of June, according to an unconfirmed US army report.

Two regiments of the Viet Minh 304th Division have reportedly moved into the vicinity of Dong Hoi about 40 miles north of the 17th parallel. Reports have also been received of combined infantry-artillery exercises conducted by elements of the 325th Division near the parallel, as well as the construction of field fortifications, roadblocks and antiaircraft emplacements, and the surveying of artillery positions. These reports of Communist military activity are lent more credibility by the existence of Viet

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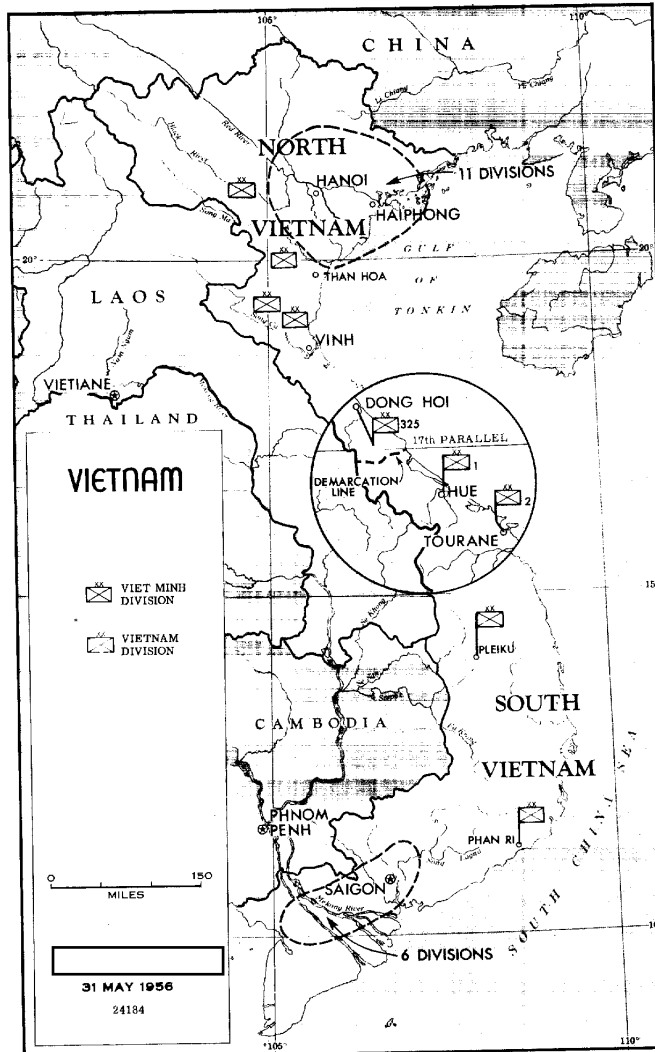
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Minh regulations that French aircraft flying for the International Control Commission must fly 16 miles off the Viet Minh coast when crossing the 17th parallel.

These Viet Minh activities may reflect defensive preparations. South Vietnamese troops in the vicinity of the parallel are believed to outnumber the Viet Minh forces at the present time, although over-all Viet Minh military strength is superior.

The success of the present Communist political campaign to court neutralist opinion in Southeast Asia further suggests a disinclination to attack the south at this time. Viet Minh propaganda, although acknowledging the possibility of war, is stressing appeals for "peaceful unification."



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**SOUTH VIETNAM**

The government of South Vietnam continues to make steady though unspectacular progress. Despite an undercurrent of criticism against President Diem's "authoritarianism," the government is slowly broadening its base and has begun to attack its most pressing economic problems. As long as the Viet Minh refuses to accept the indefinite parti-

tioning of the country at the 17th parallel, however, the threat of Communist subversion remains.

Two recent developments have especially contributed to rising self-confidence. These are the withdrawal of the French Expeditionary Corps and the deferment of the scheduled July

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unification elections as a result of the recent talks in London between representatives of the Geneva co-chairmen. On the latter point, the Diem government has reiterated its view that reunification is desirable on the basis of "genuinely free elections," but that such elections are impossible as long as the north is under Communist control.

New Constitution

South Vietnam's viability will be further bolstered by the adoption of a constitution some time before the end of June. The constitution will undoubtedly reflect the government's close study of the American and Philippine models and will provide for a separation of powers and a guarantee of individual rights. Effective control will remain with the presidency, however, and certain limitations will be placed on the people as a result of Diem's conviction that full democracy must be withheld until the danger of Viet Minh subversion subsides and an enlightened electorate develops.

Dissident Activity

In the military field, the capture on 13 April of the Hoa

Hao rebel leader, Ba Cut, signified the virtual elimination of effective armed opposition to Saigon's authority by dissident sect forces. The marked improvement in South Vietnam's internal security will give its armed forces greater flexibility and permit full concentration on the elimination of clandestine Viet Minh forces.

South Vietnam's preoccupation with political and security matters has heretofore permitted little progress in solving serious economic and social problems. Diem is extremely conscious of the danger of Viet Minh exploitation of economic and social discontent, and has recently initiated corrective action in these fields.

A start has been made in implementing long-planned agrarian reforms. The government's program for permanently integrating more than 600,000 northern refugees into South Vietnam's economy is beginning to move smoothly, with impressive results apparent at the huge Cai San resettlement camp in the western region. Finally, in an effort to increase and broaden the country's production, the government is taking steps designed to attract a significant influx of foreign investment.

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## BURMA

The Burmese government, shaken by the Communist-led National United Front's (NUF) good showing in the lower house elections on 27 April, has moved to hold to a minimum Communist gains in the elections for the upper house, the Chamber of Nationalities.

The Chamber of Nationalities has 125 seats, as compared to 250 in the lower house. Half of these seats are allocated to

the Burman majority; the other half to Burma's major ethnic minority groups. Although much less important than the Chamber of Deputies, the upper house can initiate legislation other than money bills and can amend lower house bills subject to approval by a majority of both houses. Its most significant function, however, is to serve as a forum for the airing of complaints by the minorities.

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After the lower house elections, the government for a time considered postponing the upper house elections indefinitely, citing alleged "insurgent intimidation." It finally decided to permit the polling for 45--presumably safe--seats to go off as scheduled on 22 May. In 11 other districts, government candidates were unopposed, and the 28 members representing the Shan and Kayah States are appointed by their local chieftains and will automatically support the government.

In densely populated areas where the Communists are expected to make their best showing, the government has postponed the elections--until 31 May in the Rangoon constituencies and until 22 July in the others. The NUF has vigorously protested these postponements, charging the government with conniving to delay elections until the

monsoon rains are of sufficient force to keep down an expected protest vote.

In another move to help its own candidates, the government has taken advantage of its control over the electoral machinery to relax sanctions against the stuffing of ballot boxes.

Despite these maneuvers, observers anticipate that enough voters will seize this chance to protest the continued insurrections and an increasingly serious inflationary situation to return some Communist candidates to the Chamber of Nationalities. Unrepresented in the outgoing membership, the Communists would thus be provided not only with a new forum in which to attack the government, but also with an excellent opportunity to profess their sympathy for minority group aspirations. 25X1

**PAKISTAN**

Near-famine conditions in East Pakistan and the beginning of a food shortage in West Pakistan present President Mirza and Prime Minister Chaudhri Mohammad Ali with complex problems in the eighth week of Pakistan's political crisis.

The Karachi government has attempted to meet the food problem, as it has in the past, by increased requests for emergency assistance from the United States. On 23 May it also "gratefully accepted" a free gift of 40,000 tons of grain from the USSR.

A political free-for-all is now centered in East Pakistan, which has been under

"direct rule" of the national government since 26 May. The various political factions in the province are trying to organize a majority in order to claim control of the government when direct rule ends. Some weeks of confusion appear certain, during which Karachi's efforts to solve the food problem will probably be hampered by the competing politicians' attempts to make political capital out of it. Meanwhile, Prime Minister Chaudhri Mohammad Ali's trip to Communist China scheduled for 2 June has been postponed indefinitely--apparently as the result of a real rather than "diplomatic" illness. 25X1

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## FRENCH NORTH AFRICA

Morocco

The tension which has prevailed in Rabat may diminish following the signing of an agreement in Paris on 28 May permitting Morocco to exchange diplomatic missions with other states. Actual exchanges will probably not take place, however, until after the conclusion of the debate in the French National Assembly, now expected to end about 5 June.

The agreement paves the way for a direct Moroccan approach to the United States on American air bases in Morocco. Many Moroccan leaders hope for an agreement providing annual payments large enough to enable Morocco to be less dependent on its French subsidy. Estimates of probable Moroccan demands for compensation range from \$88,000,000 to \$430,000,000 annually.

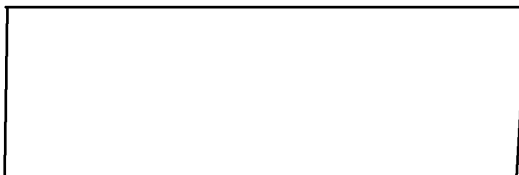
Tunisia

Despite the lack of an agreement with France specifically permitting Tunisia to exchange diplomatic representatives, Prime Minister Bourghiba has obtained agreement from Saudi Arabia to the appointment of Neo-Destour leader Taieb Annabi as minister to Jidda. This appointment was considered urgent because of the imminence

of the season for pilgrimages to Mecca. Exchanges of ambassadors with other states, including France, probably will follow the negotiation of a diplomatic convention with France after the National Assembly debate. Tunisia has maintained a high commissioner in France since 23 April.

Algeria

While France continues its military pressure in Algeria, it is also making contacts with nationalist leaders, reportedly both in Cairo and Geneva. Premier Mollet is preparing to make a somewhat optimistic progress report to the National Assembly on 31 May. The military situation, however, has not changed and the mayor of Algiers and other liberal French leaders in Algeria have indicated their pessimism about the situation.



Present efforts by Arab League states to obtain United Nations action on Algeria or to impose an economic boycott on France are not likely to be effective.

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## GREEK POLITICAL SITUATION

Greek prime minister Karamanlis on 24 May won a vote of confidence on the Cyprus issue along straight party lines. In spite of this victory,

Karamanlis, as had been generally predicted, accepted the resignation of Foreign Minister Theotokis, who had for several months been a special target

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of opposition charges of not being firm in his approach on the Cyprus issue. The new foreign minister, Evangelos Averoff, will be immediately subjected to heavy opposition pressure to take a stronger line on Cyprus.

The Greek government has reiterated its terms for a settlement of the Cyprus dispute, which include the return of the exiled Archbishop Makarios, and a fixed date for the application of self-determination.

Under present conditions it will not be in a position to moderate its line. Karamanlis will probably step up his attempts to win UN consideration of the dispute and renew his efforts to win world support.

The opposition will make another attempt to unseat the government when the opportunity arises, and Karamanlis may find it necessary to take a less moderate stand in relation to the British.

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## TENSION RISING IN HONDURAS

Political tension in Honduras between the de facto regime of Chief of State Julio Lozano and his opponents of both the right and the left is mounting, as maneuvering begins for control of the constituent assembly which is tentatively scheduled to be elected in October. The assembly will probably be empowered to choose a constitutional chief executive and convert itself into the nation's legislature, thus restoring constitutional government, which has been in abeyance since December 1954.

The 71-year-old Lozano believes the only way to eliminate the violent political partisanship of the past and create the conditions necessary for orderly, democratic government is to establish a "national union" government with the support and participation of the three major political parties. He apparently is convinced he is the man to head such an administration.

His "National Union Movement" began with the Reformist Party, the smallest of the three, and has since gained the

adherence of a significant portion of the Nationalist Party and a few important members of the Liberal Party. Lozano, however, probably lacks wide popular support.

Lozano's Opposition

Lozano is meeting increasingly bitter opposition from hard-core Nationalists still loyal to ex-dictator Carias and from the radical, Communist-influenced faction of the Liberal Party, led by Ramon Villeda Morales. There are persistent rumors of an alliance between Cariistas and Villedistas. Though such an alliance between traditional enemies would not be stable or lasting, its creation might be a serious challenge to Lozano's plans.

In an effort to reduce the effectiveness of opposition propaganda, which has been demanding immediate elections, Lozano announced on 21 May that elections for the constituent assembly will be held on 7 October "or earlier," unless public disturbances force a postponement. He has promised that the elections will be free. The

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timing and procedures of the elections, however, will be determined solely by him, and his control of the electoral machinery permits him to influence the results.

Rumors of a Villedista-Cariista coup have been frequent during the past week. Though a spontaneous outbreak is always possible, an organized effort to seize the government

is unlikely at this time. Lozano enjoys the loyalty of the army and has ordered strict security precautions during the Villedista convention of 25 to 28 May. If, however, the opposition becomes convinced Lozano has no intention of permitting free elections, it may decide its only hope lies in the use of force.

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## PART III

PATTERNS AND PERSPECTIVES

## SOVIET BLOC ACTIVITIES--LATIN AMERICA

During 1956 the Soviet bloc has intensified its economic overtures to Latin America and has sought to establish diplomatic relations with an increasing number of Latin American countries. Several countries--including Argentina, Brazil, Colombia, Cuba and Uruguay--have responded favorably to the commercial overtures, and further bloc success along these lines seems likely. However, the response in the diplomatic field has been generally negative.

Bloc Policy

The Communist countries began to step up their campaign for closer relations with Latin America in 1952 by expanding the staffs of diplomatic missions and increasing their trade and cultural offensive.

Since Premier Bulganin's announcement this January of the USSR's desire to establish diplomatic and economic relations and to extend technical assistance to any Latin American country, the Soviet bloc has apparently attached a high priority to the area, and approaches are being made at high diplomatic levels. Although accent has been placed on offers for diplomatic exchanges, the bloc has had more success with trade approaches calculated to play on serious economic difficulties.

Soviet propaganda directed to the area

continues to inveigh against the "injustices" of US monopolies which are said to build "economic dependence" and emphasizes the "obvious advantages" of trade with the Soviet bloc. In addition Moscow points out that its own "trade, not aid" program does not carry with it all the military and political obligations which it claims accompany economic dealings with the United States.

Czechoslovakia and East Germany appear to be particularly active. Czechoslovakia is in an advantageous position because it has diplomatic representatives in seven countries, and a record of commercial activity in the area from before the war.



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The bloc appears to be exploring Latin American receptivity in preparation for launching a more concentrated overt program. Persistent rumors have stated that A. I. Mikoyan, a first deputy premier and responsible for Russia's foreign trade, will make a tour of Latin American countries soon. It seems likely that these rumors have been encouraged by the USSR as a means of testing Latin American receptivity to such a visit.

Commercial Overtures

A majority of the Latin American nations view bloc trade simply as a matter of economic expediency, and a number are actively exploring the opportunities for its expansion. Some, notably Argentina, Brazil and Uruguay, are faced with the disposition of surplus agricultural commodities and accompanying balance-of-payments problems and dollar shortages. At the same time, they are seeking heavy industrial equipment and --in the case of Argentina and Ecuador--arms and aircraft not available to them in the free world on terms which they desire.

In various trade proposals, bloc countries have agreed to import Latin American agricultural products and to export manufactured goods on generous credit terms and, in some cases, at lower prices than those of American and British competitors.

Many Latin Americans see trade with the bloc as one way to broaden and diversify foreign trade--a long-time objective--and to gain bargaining leverage with the United States. Some, such as Costa Rican president Figueres, who favors limited exports to the USSR, probably hope Soviet bloc purchases will

cause world prices for Latin American raw materials to rise.

Argentina

Argentina has had active trade with most bloc nations for several years and the replacement of Peron by Aramburu apparently has made no significant difference in those relations. Czechoslovakia's sale of Aero-45's to Argentina in February was the first sale of aircraft by a Communist country in Latin America.

A Soviet bid in April to sell Argentina substantial quantities of oil equipment on long-term, low-interest credit apparently was in response to Argentina's announcement on 7 March that its state oil monopoly would call for bids on \$250,000,000 worth of petroleum equipment on "both sides of the iron curtain." The USSR has also offered generous conditions for the sale of other items, reportedly including the barter of MIG's for wheat or other agricultural commodities.

Brazil

Brazil, whose total trade with the Soviet bloc almost doubled in 1955, has had trade agreements with Poland, Hungary and Czechoslovakia, and is willing to increase trade with the bloc provided advantageous payments agreements can be concluded. Last year Brazil's exports to the USSR amounted to about \$697,000. The Brazilian government, eager to sell surplus coffee and cotton and to obtain nondollar machinery, is negotiating with a newly arrived trade delegation from East Germany.

Colombia

The excess of world production of coffee, Colombia's principal source of revenue,

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has caused the latter to seek new markets in Eastern Europe and the USSR.

Czechoslovakia has been attempting to expand its Colombian market for some time and has offered to buy Colombian coffee in exchange for industrial equipment.

A Czech trade mission reportedly was expected in Bogota in May to sell aircraft, trucks, and automobiles and to negotiate a \$20,000,000 arms deal initiated by a private Colombian firm. The Colombian foreign minister has stated that no government-to-government negotiations are contemplated.

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Cuba

Cuba, which sold \$32,000,000 worth of sugar to the USSR in 1955, is the object of an intensified sales effort by several Eastern European nations.

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Uruguay

Since the large Soviet purchases in Uruguay in 1954, this country has looked to the bloc as a market for agricultural surpluses. This is largely responsible for the naming of an "ambassador" to head its mission in Moscow and the renegotiation of commercial agreements with Czechoslovakia and the USSR. Uruguay is the only Latin American country which has appointed a commercial agent to Communist China.

Other Countries

Bolivia and Chile have both been approached with economic

offers. While Bolivia's response is unknown, Chilean president Ibanez apparently favors increased trade ties with Eastern Europe, although he is against formal relations with the USSR.

Paraguay is now questioning the value of existing agreements with Czechoslovakia, Hungary, and Poland, although a Czech flour mill is to be installed soon. Mexico, which has trade and diplomatic relations with the bloc, has refused to take any official steps to further trade contacts.

Most of the remaining countries, not yet principal targets in the campaign, do not have the problem of disposing of surplus products and thus would not be so susceptible to bloc offers. Their comments on the Bulganin statement generally have been negative.

Diplomatic Overtures

The reaction of the Latin American countries to bloc bids to establish diplomatic relations has been negative for the most part. While many Latin American officials probably consider the Soviet threat overplayed, they are reluctant to expand relations with the bloc for fear of disapproval by the United States and, in some cases, are apprehensive about the activities of resident bloc missions.

The USSR, which has diplomatic relations with Mexico, Uruguay and Argentina, is known to have made since January advances for diplomatic relations to the Dominican Republic, Bolivia, Brazil and Peru. The Dominicans, despite the Soviet assurance of goods "at bottom prices," have flatly refused the Soviet offer.

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The others have made no formal response. Peru has responded by taking steps to discourage the travel of Soviet officials. Venezuela has delayed in its reply to the offer of a treaty of friendship and commerce.

Of the Satellites, Czechoslovakia has strengthened its already well-established diplomatic position in Latin America by exchanging consuls with Colombia and sending a new representative to Peru. Bolivia

reportedly has named a minister to Prague. Czechoslovakia has been turned down in its diplomatic overtures to Honduras, Haiti and Paraguay.

Formal diplomatic relations between Latin American countries and the bloc probably will not be greatly expanded in the near future, but growing commercial relations will increase Soviet influence in the area.

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## SOVIET CONTRIBUTIONS TO UN TECHNICAL ASSISTANCE FUNDS

The Soviet Union, capitalizing on the widespread preference of recipient countries for aid under international, rather than national sponsorship, has succeeded in using the United Nations technical assistance program to strengthen its political and economic position in India and other Asian areas. Its success has been out of proportion to its contribution of funds to the program.

Operation

Technical assistance activities have been part of the regular work of the United Nations and its specialized agencies since 1946. In 1949, the General Assembly expanded and combined the technical assistance activities of the UN and

the specialized agencies, and the resulting Expanded Program of Technical Assistance for Economic Development of Underdeveloped Areas (UNETAP) began operations in 1950. This program is directed by the Technical Assistance Board (TAB), but actual operations are carried out by seven of the UN specialized agencies--in such fields as health, agriculture and education--plus the UN Technical Assistance Administration (UNTAA), a catch-all organization covering such additional fields as transport, mining, and community development.

The program is financed from a special account to which governments contribute voluntarily on a yearly basis. For

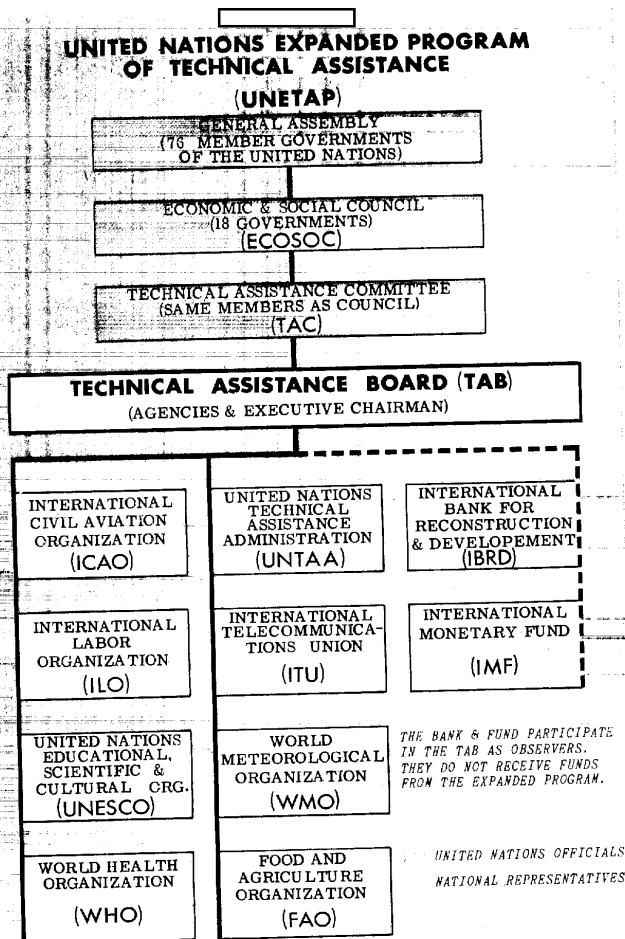
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Like the contributions of some of the smaller free world countries, such as Argentina, Turkey and Denmark, the Soviet bloc contributions are nonconvertible. Hence, there are only three purposes to which the contributions can be devoted: (1) the salaries of Soviet bloc experts; (2) training grants for UN fellowships within the Soviet bloc; and (3) Soviet bloc supplies and equipment for use in UN technical assistance projects. All three permit Soviet infiltration and propaganda activities.

The UN encountered some difficulty utilizing the Soviet bloc contributions because of their inconvertibility, but about \$1,300,000 was expended in 1955, most of it for the purchase of equipment. Projects utilizing \$3,253,500 of the Soviet bloc cur-

the 1956 expanded technical assistance program, 72 countries have pledged the equivalent of \$28,940,563. Over half of this comes from the United States.

Soviet Contribution

For four successive years, beginning in the summer of 1953, the USSR has pledged or contributed 4,000,000 rubles (approximately \$1,000,000) per year. Lesser amounts have been pledged or contributed by the Satellites. Including pledges for 1956, Soviet and Satellite sources have made available to the program the equivalent of \$5,033,332.

rencies contributed since 1953 have been approved by TAB for implementation in 1956. The greatest share will be channeled through UNESCO, with smaller amounts being allotted to FAO, WMO and WHO (see chart) projects.

Over \$2,000,000 in Soviet bloc contributions has been allotted to the 1956 UNETAP program for Arab, African and Asian areas, with \$1,445,500 going to India alone. Four Latin American countries are scheduled to receive some \$340,000 in aid, mostly in equipment, with Chile the largest recipient.

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This increased allocation of bloc funds is primarily the result of the USSR's protests to the UN against its failure to use past bloc contributions. The USSR has also approached a number of underdeveloped countries, particularly in Asia, to encourage them to request such assistance as is available through the ruble account, accompanying such overtures with explicit criticism of the motives of the United States in offering aid to these countries.

TAB officials, while aware of the necessity of maintaining the multilateral nature of the UN program, have sanctioned discussions among donor and recipient countries and the particular UN organization concerned.

Bombay Technological Institute

One of the most ambitious projects involving the use of Soviet UN technical assistance funds is the UNESCO-sponsored Bombay Technological Institute scheduled to be completed in mid-1957. This project was worked out in Moscow in September 1955 by a group consisting of representatives of the Indian government, members of the UNESCO secretariat and Soviet officials. Cost of the project was set at six million rubles (\$1,500,000 at official rates).

The USSR will provide 15 professors or lecturers and three translators to prepare English versions of Soviet technical literature, supply equipment for use at the institute's laboratories, and award 20 fellowships to Indian teachers for study in the USSR. The first group of Indian fellows is scheduled to arrive in the USSR in September 1957.

At a meeting on the subject last November, a member of the UNESCO secretariat indicated

that, although it was hoped that not more than one third of the experts to be provided would be Soviet citizens, there was no financial provision anywhere in the 1956 program for providing experts from any other country. The American representative at this meeting came to the conclusion that the Bombay project was in fact developed bilaterally, "with UNESCO playing a more or less incidental and not clearly defined role."

**1956 PLEDGED CONTRIBUTIONS TO UNETAP**

(72 Contributing Nations)

US	\$ 15,500,000
UK	2,240,000
Canada	1,800,000
France	1,448,571
USSR	1,000,000
Netherlands	760,000
Sweden	695,921
Denmark	579,123
India	450,000
Belgium	437,500
Norway	380,792
Brazil	324,324
Australia	312,520
W. Germany	238,095
Switzerland	233,645
Turkey	201,495
New Zealand	168,020
Pakistan	166,213
Colombia	140,000
Ukraine	125,000
Uruguay	120,000
Italy	112,000
Chile	110,000
Yugoslavia	110,000
Egypt	100,517
Argentina	100,000
Other	1,086,827
TOTAL	\$ 28,940,563

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It was revealed in April, moreover, that Moscow had agreed with the Indian government to provide a further 10,000,000 rubles for the Bombay Technological Institute. TAB refused to act as a channel for this bilateral move. A UNESCO mission

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is now in Bombay to survey the institute. The director general of UNESCO has assured American representatives that the mission will attempt to bring the Bombay project more in line with normal UN technical assistance procedures. However, Soviet deputy minister of higher education Rumjanzov is included among the Soviet members of the mission as a "UNESCO expert," a tenuous designation.

Other Soviet Overtures

UN officials are now considering a Soviet offer to provide India with 120 fellowships, valued at nearly \$1,000,000, in connection with the steel plant in Bhilai, being built by the USSR on a strictly bilateral basis. Such use of Soviet UN contributions entirely in aid of a Soviet bilateral project would be a major deviation from normal UN technical assistance procedures.

Various Soviet officials have intimated recently that the USSR's contributions to the

UN technical assistance program might be increased in future years--a development which would compound the present problems.

As things stand now, the USSR has succeeded both in getting maximum propaganda credit for its relatively small contribution to the UN technical assistance program and in using bilateral negotiations to set up projects which should be negotiated between the UN and the recipient country.

The lack of centralized control over the UN projects permits the various participating UN organizations to set up projects not fully in accord with previous UN practices. TAB, in some cases, has been reduced to a mere role of rubber-stamping projects set up bilaterally. Unless UN administrative procedures are tightened, increased Soviet contributions would lead to a further breakdown of the multilateral nature of the UN program. [redacted]  
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## MODERNIZATION OF SOVIET INDUSTRY

The Sixth Five-Year Plan (1956-1960) calls for the production of more and better machinery as a means to increase Soviet labor productivity and maintain the USSR as the world's fastest growing country, economically speaking. Since the possibility of increasing output in the Sixth Five-Year Plan by adding to the labor force is limited (see Weekly of 26 April, Part III), the problem of labor productivity--the ratio between total goods and services produced and the time worked

in producing them--has assumed new importance.

On 4 July 1955, in a speech before the party central committee which kicked off the present labor productivity drive, Premier Bulganin compared Soviet and American technology as well as the wide discrepancies in efficiency among various Soviet plants producing similar products. He pointed out that during the First and Second Five-Year Plans, Soviet factories had "what was then the most perfect equipment,"

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but that over 20 years had since passed. During the war, the equipping of new industrial plants was carried out only to an insignificant extent. Although the economy received large amounts of new machine tools and equipment in the post-war years of reconstruction and expansion, Bulganin emphasized that much antiquated machinery still remained in use.

To assist the drive toward industrial modernization and raising productivity, the Stalinist postwar prohibition against praise and open copying of Western technology and the Marxist doctrine of obsolescence were abandoned at this central committee meeting.

In his doctrine of obsolescence Marx asserted that "wasteful" abandonment of production equipment was unnecessary under socialism, observing that machinery becomes obsolescent in capitalist economies because an owner must replace machinery which is still productive to meet the prices of a competitor with a newer factory. This dogma was acceptable so long as total industrial production in the USSR was low and labor to operate both old and new machinery was plentiful. As a result, the same product was often turned out in plants which varied 20 or more years in technology, and production machinery, obsolete by Western standards, remained in production.

Modernization

In the past, most Soviet funds for industrial investment have been devoted to the construction and equipping of new plants. Under the Sixth Five-Year Plan, however, only about half of the total investment funds will be used for this purpose--primarily for the new industrial expansion in the

eastern USSR and the Urals region.

The remaining investment funds scheduled for the next five years will be spent for modernization of existing plants in the older established areas. These expenditures should be a major step toward overcoming the technical backwardness of many Soviet plants, particularly older ones in the European USSR. Labor productivity at the relatively new blast furnace of the Magnitogorsk steel plant, for example, is 3.5 times as great as the average at all Soviet blast furnaces. Similarly, the open-hearth steelmaking furnaces at Magnitogorsk are as efficient as the best American steel furnaces, but the general level of labor productivity in Soviet steelmaking is only about one half of that of Magnitogorsk.

A selective modernization program has been announced for individual plants in a wide range of industries and is designed to raise industry to the level of its most efficient plants. Because the average age of Soviet capital equipment is low--less than that of equipment in the United States, and despite the fact that much of it is of prewar design, a good part of the modernization program will probably consist of minor changes--such as the addition of materials-handling equipment--involving neither large-scale scrapping nor major additions to existing production lines.

The Soviet Union should have no trouble supplying the equipment necessary for this phase of the modernization program. Temporary difficulties may arise, however, from faulty administration and opposition to change on the part of individual ministries or plant managements long trained to resist any measure which reduces output even temporarily.

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Especially extensive re-equipment programs have been announced for a few industries, including producers of metal-working and foundry equipment, railroad rolling stock, tractor and agricultural equipment, and textile and food processing machinery. These industries appear to have been selected either because of an abnormally large lag in their technology, because extensive design changes are planned for their products, or because their 1960 production goals have been set so high as to require large-scale modernization.

Mechanization and Automation

Publicity accorded the present Five-Year Plan's modernization program has stressed "further complex mechanization and automation." As in the West, these terms are without exact meaning in the Soviet Union and a neat line cannot be drawn between them. Mechanization, however, refers to replacing human labor with mechanical or electrical devices, and automation, to replacing human control with mechanical or electrical devices.

Qualified Western observers uniformly report that Soviet plants use far more labor than similar plants in the West, especially in materials handling. Consequently, "complex mechanization" alone can still make major contributions to raising Soviet industry's technical level. In the Sixth Five-Year Plan, most new equipment will probably fall in this category.

Between now and 1960, true "automatic production processes," some of which have already been used in the USSR for 20 years, will probably account for only a small portion of total industrial output. In the chemical and petroleum industries, more sophisticated systems are scheduled for installation. Furthermore, automatic systems

are to be introduced widely in the USSR's communications network, in electric power production and transmission, and in the paper-making industry. In addition, from 200 to 250 automatic and semi-automatic pilot production lines will be installed in industrial plants of Moscow Oblast by 1960.

The USSR has the ability to design systems more complex than those now scheduled for installation. Analysis of Soviet theoretical literature on communications, physics, electronics and mathematics shows that the USSR's research on automation is on a par with that in the West. As for application, members of a highly qualified American industrial delegation to the USSR reported in December 1955 that they had seen automatic systems as good as any in the West.

One factor which may retard the design and production of automated systems for industry may be the competition of modern weapons systems for the same type of personnel and basic component materiel. Among the most advanced and intricate systems of automation in use today are those in some missile weapons systems.

Implementation of the Program

On 28 May 1955, a State Committee for New Technology was formed to formulate and co-ordinate the execution of plans for the modernization of Soviet industry. The importance of the committee is indicated by the rank of its chairman, V. A. Malyshev, who was the general supervisor of all Soviet machine building in the immediate post-Stalin period and the initial successor to Beria as controller of Soviet nuclear development.

In July 1955, Malyshev ordered each economic ministry to name a deputy minister for

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new technology, to serve as a link with the committee and to supervise the technical plans of the ministry.

Despite a trend to allow managerial personnel more authority in the conduct of plant operations, the committee may tend to limit a manager's authority to decide how and when to install new equipment. At the same time, he will be under increasing pressure to see that his plant meets its schedule for technical improvement. In July 1955, Bulganin stated that managers who fail to fulfill plans for raising the technical level of industry would be punished, just as are managers who fail to fulfill output plans.

This long-neglected principle was applied to an important person for the first time in recent years on 22

January 1956, when the minister of Machine and Instrument Building was fired for failure to meet his ministry's plan for technological improvement. On the same date, this ministry was split up, and a new Ministry of Instruments and Means of Automation was established.

Present Soviet plans for increasing the quantity and quality of machinery and other capital equipment by 1960 appear feasible and should be fulfilled. By 1960, the amount of modern machinery per industrial worker in the USSR will approach the present level in advanced Western countries, and will no longer be as significant a factor as in the past, hindering the Soviet Union in its efforts to catch up with American industrial labor productivity. [redacted] (Prepared by ORR) (Concurred in by OSI)

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**PEIPING'S VIEWS ON THE TAIWAN PROBLEM**

The Chinese Communists, while building up their military capabilities for an assault on Taiwan, continue to assert that they will "liberate" the island by peaceful means "if possible." Communist leaders have expressed confidence privately that the Nationalist government will fall through subversion, and there are indications that Nationalist morale has deteriorated to some extent over the past year.

"Peaceful Liberation" Theme

The Chinese Communists have never altered their position

that Taiwan is rightfully Communist territory and that its "liberation" is an "internal matter" in which they will brook no interference. For more than a year, however, Peiping has been following a "peaceful" line toward the Nationalists. Shortly before the Bandung conference in April 1955, Chinese Communist propaganda muted its belligerent references to preparations for a conquest of Taiwan. At the conference itself, Chou En-lai struck a conciliatory pose, offering to negotiate with the United States on the question of Far Eastern tensions and asserting that Taiwan would be "liberated" by peaceful means

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"so far as possible." Since then the Communists have made no effort to seize Nationalist-held territory by force.

Several times in the past year, Chou En-lai and spokesmen for Chou have expressed confidence privately that Taiwan would fall to Peiping through an internal collapse. In a major policy statement last January, Chou claimed Communist efforts had already brought Chinese Nationalist political and military officials to a "state of panic and hopeless pessimism."

Subversion Campaign

Chinese Communist propaganda is now beamed to Taiwan for about 11 hours a day

has sought to erode Nationalist morale by a "soft" approach. Previous offers of amnesty and good treatment for all defectors have been underscored.

Peiping has appealed to Chinese nationalism by relating Communist achievements in building a "new China." Americans on Taiwan are villified as "colonialists," destroying Chinese culture and "oppressing" the Chinese people. At the same time, the Nationalist situation on Taiwan is depicted as hopeless. Chiang Kai-shek's forces are described as too feeble to defend Taiwan, let alone attack the mainland.

Peiping's propaganda features personal appeals to prominent Nationalists by former colleagues now working for the Communists.

The visit to Peiping early this year of the Canadian adventurer Morris "Two-Gun" Cohen, a former confidant of Sun Yat-sen and onetime friend of many Nationalist leaders, appears to have been a related psychological warfare gambit aimed at arousing fears of a high-level sellout in the minds of Nationalist officials. His visit, at Communist invitation, attracted wide notice and stirred up speculation that he was acting as a go-between to set up secret negotiations between Taipei and Peiping.

Although the Communists have achieved no spectacular success in their campaign to get high-level defectors, they may have made some progress in weakening Nationalist morale. In March, Ambassador Rankin commented that, while morale on Taiwan was generally "still fairly good," it had deteriorated in the previous year.

Another recent report from the American embassy states that admiration for Communist achievements on the mainland appears to be "fairly widespread" among middle-level officers of the armed forces and government. Other reports have indicated that these persons were not happy on Taiwan, and chronic dissatisfaction with conditions there may make them increasingly vulnerable to propaganda designed to convince them they could prosper under the Peiping regime.

Military Intentions

Despite propaganda emphasis on their desire to use "peaceful means," the Chinese Communists on occasion still affirm their intention to "liberate" Taiwan by war "if necessary," and they have continued to build up their military potential along

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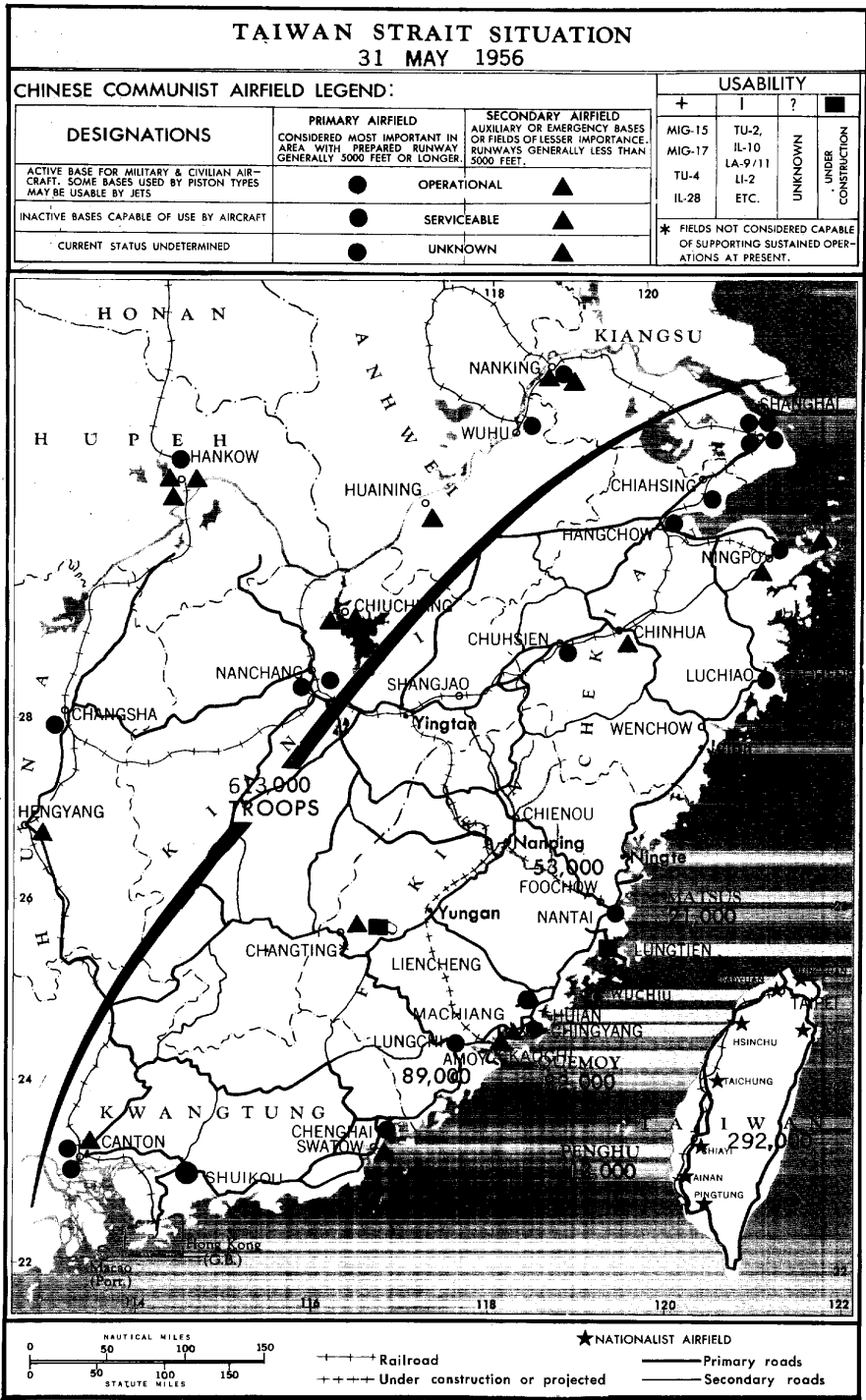
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the China coast. Between Canton and Ningpo, the Communists have eight primary airfields in serviceable condition, of which two are already operational. Construction of five more

airfields in this area is well advanced and could be completed on short notice.

Improvement of logistical capabilities in the coastal



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area is being rushed, and eight of Peiping's eleven railway construction divisions have been at work on the new Fukien rail lines. The Communists have continued to maintain some 610,000 ground force troops opposite Taiwan.

Fears of American retaliation will almost certainly prevent Peiping from launching an assault on Taiwan or the Pescadores in the near future. Furthermore, in light of present Communist efforts to adopt a peaceful pose, major assaults on the offshore islands appear unlikely at present. Substantial harassing or probing attacks against the principal Nationalist offshore island positions, or attempts to seize minor islands like Wuchiu or Yinshan in an effort to depress Taiwan morale, remain a possibility.

The Communists apparently mean to extend the Fukien railroad, now under construction, to serve commercial port facilities on Amoy Island, opposite Quemoy. This suggests that Peiping may intend to reopen the port to commercial use late this year after the rail line is completed, a move which could be used to justify moves to neutralize Nationalist forces on Quemoy on the grounds that "piracy" was disrupting normal trade. When

the rail line is extended to Foochow, the Communists might step up military action against the Matsus on a similar pretext.

In addition to depressing morale, the Communists might calculate that such military activity would also advance their objectives in the discussions under way between the American and Chinese ambassadors at Geneva. Although the talks have been deadlocked since last September and Peiping has complained that the United States is dragging them out in an "intolerable" fashion, the Communists still seem reluctant to break them off and apparently still cherish hopes of raising the meetings to foreign minister level.

Should the present deadlock continue, Peiping might be disposed to undertake limited military action against the offshore islands in the belief that international pressure would be brought to bear on Washington for a Dulles-Chou meeting to "relieve tension" in the Taiwan Strait. Even if no such meeting took place, Peiping might count on growing clamor for a peaceful settlement of the Taiwan issue, perhaps through an international conference, to further depress Nationalist morale and strain relations between the United States and other governments. [redacted]

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