

CO/EO

~~CONFIDENTIAL~~

~~SECRET~~

COPY NO. 18
OCI NO. 0054/57
17 January 1957

CURRENT INTELLIGENCE WEEKLY SUMMARY



DOCUMENT NO. 5
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS S
NEXT REVIEW DATE: 1989
AUTH: HR 70-2
DATE: 1 Aug 79 REVIEWER: 25X1

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

~~CONFIDENTIAL~~
~~SECRET~~



208511/1
25X1

~~CONFIDENTIAL~~
~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

17 January 1957

THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

POLAND'S FORTHCOMING ELECTIONS Page 1

Opposition to the regime in Poland has gained momentum and the party leadership apparently now fears what would amount to public repudiation at the polls on 20 January if the trend continues unchecked. Opposition within the party comes both from embittered pro-Soviet elements and from the anti-Stalinist rank and file, who are pressing for more sweeping changes. Popular attitudes, stemming in large part from dissatisfaction with economic conditions, have become negative and cynical. In these circumstances antiregime elements may attempt to provoke disorders on election day.

25X1

ALGERIA Page 2

Widespread disorders and bloodshed on a large scale may occur in Algeria in connection with the UN discussion of the Algerian situation later this month. Tension between Europeans and Moslems is so high that either the settlers, the rebels, or the French military might take action that would set off an explosion. Premier Mollet has warned that a General Assembly resolution condemning French policy would cause France to withdraw permanently from the United Nations.

25X1

EGYPT-ISRAEL Page 3

Conflicting Egyptian and Israeli views on the future status of the Gaza strip and Tiran Straits foreshadow a long diplomatic battle. Israel is using its plans for constructing oil pipelines bypassing the Suez Canal to promote greater Western interest in securing and maintaining freedom of transit in the Gulf of Aqaba. [redacted] internal pressures are mounting and that Nasr may be in trouble. He shows, however, no sign of willingness to modify his stand.

25X1

25X1

25X1

25X1

INDONESIA Page 5

Indonesia's political crisis is the most far-reaching in its short history of independence and seems likely to result in a radical alteration of the basic governmental structure of the republic. President Sukarno's announcement on 17 January that he hopes to set up an "advisory council" indicates his intention to carry through with his

~~CONFIDENTIAL~~

~~SECRET~~

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

17 January 1957

proposal for an authoritarian regime. If Sukarno's proposal is put into effect, he would have direct control over the government, and Communist influence would increase. The present coalition cabinet appears near collapse, and efforts to resume normal relations with the three Sumatran provinces continue to be ineffective. If non-Javanese areas reject Sukarno's dictatorship and are supported by important army elements, Djakarta's authority would probably be further reduced in the outlying islands and separatist tendencies would increase.

[Redacted]

25X1

PART II

NOTES AND COMMENTS

SOVIET CONCERN OVER STUDENT UNREST Page 1

Official concern over expressions of "harmful and unhealthy ideas" among Soviet university students has continued to mount in the last several weeks. Party and Komsomol conferences devoted to this problem are being held throughout the Soviet Union, and the press is filled with ideological appeals and veiled threats. The regime may be preparing to resort to repressive measures to correct the situation.

[Redacted]

25X1

CHOU EN-LAI'S MISSION IN POLAND Page 2

Chou En-lai has made clear that Communist China is still sympathetic toward the Polish desire for freedom from Soviet domination but remains insistent on the vital importance of bloc unity--under Kremlin leadership--in the face of "imperialist aggression." Chou's statements probably reflect Sino-Soviet agreement to grant Warsaw a special position in the bloc as long as the Poles are cooperative.

[Redacted]

25X1

HUNGARIAN REGIME STEPS UP REPRESSION Page 3

The Kadar regime in Hungary has stepped up its campaign of terror against all forms of resistance, vowing a "merciless" campaign to exterminate its enemies and threatening the death penalty for almost any form of "anti-state activity." Government and party officials are themselves, however, thoroughly disorganized, and Kadar apparently is constantly watched by a cordon of Soviet body guards.

[Redacted]

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

17 January 1957

SOVIET RESPONSE TO US MIDEAST PROPOSALS Page 5

The USSR has launched a full-scale propaganda rebuttal to the American proposals--including an official statement released by TASS on 12 January--that is primarily aimed at encouraging Arab rejection of any American offers under the plan. Moscow is trying to arouse Arab suspicions that the United States intends to reimpose "colonial domination" on Arab countries "fighting for their independence" in the Middle East. [redacted] 25X1

YEMEN-ADEN BORDER HOSTILITIES Page 5

Prospects for settling the Yemen-Aden border dispute by direct negotiation or under UN auspices appear very slim in view of the Yemeni imam's inclination for troublemaking and Egyptian, Soviet and Saudi encouragement. [redacted] 25X1

JORDAN Page 7

The Jordanian delegation seeking Arab aid to replace the British subsidy departed Cairo for Saudi Arabia on 15 January. Although Cairo press reports termed the talks "very successful," no further information has been made public. It appears that some assurances of Arab aid have been obtained by the Jordanian delegation. [redacted] 25X1

[redacted] 25X1

SITUATION IN LAOS Page 8

The Laotian assembly will probably soon approve the government's agreement of 28 December for a coalition with the Pathet Lao. It may insist on some revisions, however, since a number of deputies reportedly have reservations about the agreement. [redacted] 25X1

NORTH VIETNAM Page 8

The sixth session of North Vietnam's National Assembly, which opened in Hanoi on 29 December, provided a platform for pronouncements on the main lines of Viet Minh policy. Premier Pham Van Dong promised a speed-up in the "mistake-correction campaign" to rectify abuses in land reform, which had led to recent uprisings. In his remarks on foreign policy, Dong affirmed the regime's dual allegiance to the Soviet Union and Communist China and stressed the need for equality in relations between Communist countries. [redacted] 25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

17 January 1957

SOUTH KOREA'S INFLATION Page 9

Prices in South Korea have reached a level which, under the terms of the US-Korean agreement of August 1955, may require an upward revision of the hwan-dollar exchange rate at the end of the first quarter of 1957. In an attempt to avoid such a contingency, South Korea has instituted emergency measures to stabilize prices. The success of these measures, however, appears doubtful.

25X1

NEW BRITISH CABINET LOOKS TO CLOSER TIES WITH EUROPE . . Page 11

The new British government will probably pay more attention to strengthening Britain's ties with the Continent and to improving Britain's position in world trade. The small number of cabinet changes so far emphasizes continuity with the preceding cabinet, but there is speculation, centering around the retention of Foreign Secretary Lloyd, that there may be further changes.

25X1

ADENAUER AND EUROPEAN SECURITY PLANS Page 12

The West German government is increasingly responsive to election-year pressures on it to explore every means of promoting the reunification of Germany. These pressures probably led to Adenauer's statement on 11 January that he remains interested in a European security system to be agreed on between the Western powers and the USSR.

25X1

NEW SIGNS OF UNREST IN SPAIN Page 13

Mounting dissatisfaction among the supporters of the Franco regime is reflected in reports of recent resignations from the cabinet. The Madrid government has been ineffectual in dealing with its serious inflation problem, and Falangist leaders are disturbed over their failure to secure permanent predominance for their party. The present transportation boycott in Barcelona in protest over the rising cost of living may lead to further strikes and demonstrations.

25X1

SOVIET PRESSURE ON GREECE Page 14

Moscow is exploiting the Cyprus issue to pressure the Greek government for closer relations with the USSR, threatening to withdraw Soviet support of the Greek position when the Cyprus issue is discussed in the UN General Assembly.

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

17 January 1957

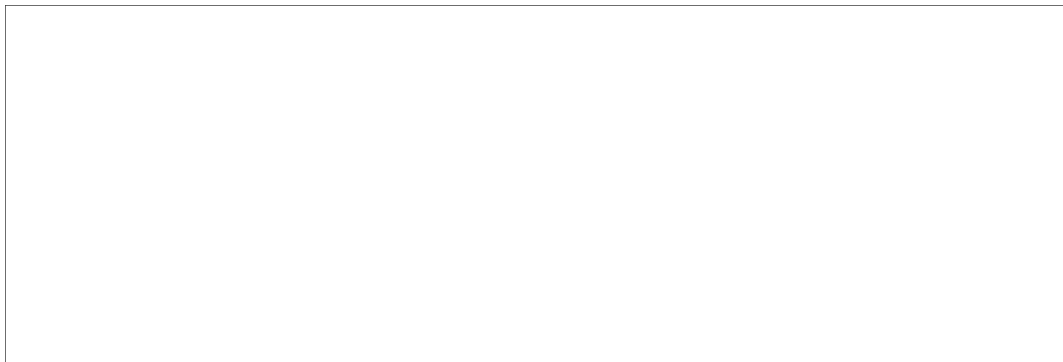
STALEMATE IN US-BRAZILIAN BASE NEGOTIATIONS Page 14

Brazil's insistence on economic aid in exchange for a US missile base has created a new impasse which President Kubitschek has warned must be solved before the Brazilian congress reconvenes on 1 February. Kubitschek said agreement would probably be impossible after that date, but Brazil has a high stake in preventing collapse of the negotiations.

25X1

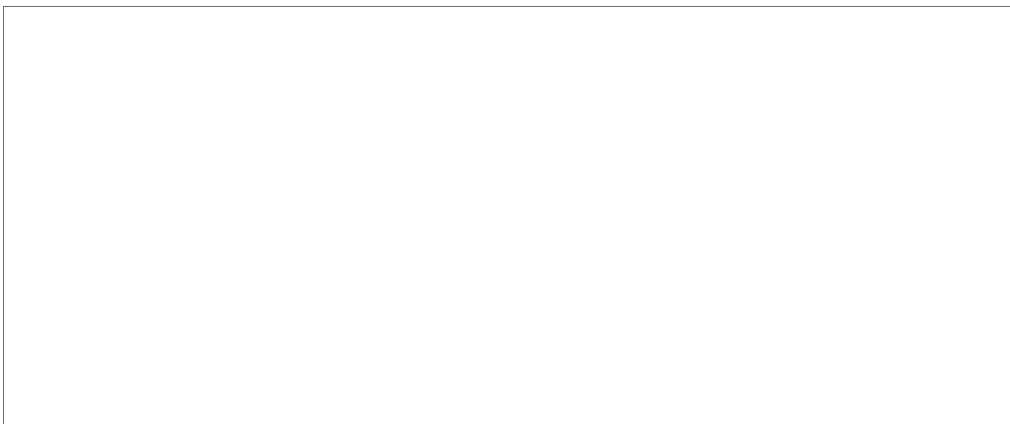
PART III

PATTERNS AND PERSPECTIVES



Page 1

25X1



Page 4

25X6

SECRET

v

THE WEEK IN BRIEF

Page Denied

25X1

25X1

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

17 January 1957

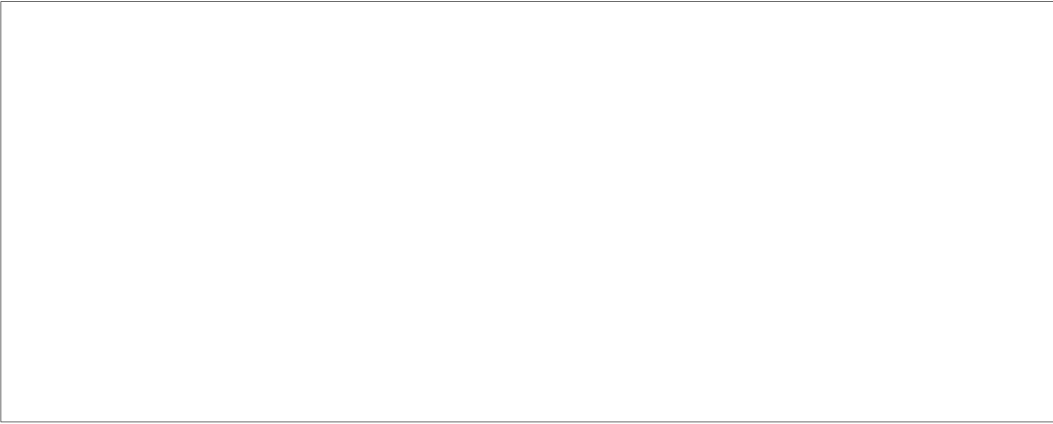
THE FALLING LEVEL OF THE CASPIAN SEA Page 7

The level of the Caspian Sea has dropped sharply since 1929, resulting in Soviet economic losses, particularly in the oil transport and fishing industries, estimated at \$250,000,000 a year. Soviet scientists and engineers recently met in Astrakhan to study the problem and advanced a plan of restoration, which, like previous plans, would be extremely costly.

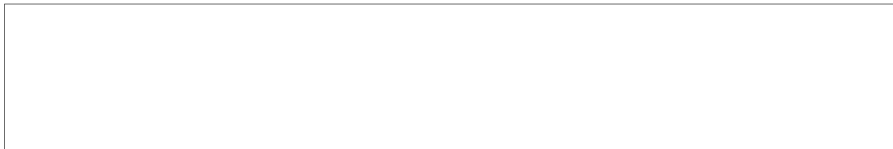
25X1



Page 9



25X1



25X1

SECRET

vi

THE WEEK IN BRIEF

~~CONFIDENTIAL~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

17 January 1957

PART I

OF IMMEDIATE INTEREST

POLAND'S FORTHCOMING ELECTIONS

Opposition to the regime in Poland has gained momentum and the party leadership apparently now fears what would amount to public repudiation at the polls on 20 January if the trend continues unchecked. Opposition within the party comes both from embittered pro-Soviet elements and from the anti-Stalinist rank and file, who are pressing for more sweeping changes. Popular attitudes, stemming in large part from dissatisfaction with economic conditions, have become negative and cynical. In these circumstances, antiregime elements may attempt to provoke disorders on election day.

The Polish regime last week took two remedial steps to avert a setback at the polls. Local election committees were instructed under provisions of the election law to remove from the electoral lists the names of candidates who had "demonstrated a weak character" and an unwillingness to defend or support the national front program. [redacted]

[redacted] Gomulka issued a memorandum to all Polish United Workers' Party (PZPR) members calling for total mobilization of the party in this last phase of the campaign. The party was criticized for being altogether too passive, with the result that the campaign was going badly. All party members were being called on to make a last-ditch effort to rekindle in the minds of the people the hopes of the "Polish October."

Popular Opposition

At the time the new election law was written, Gomulka apparently expected that the liberalization platform of the October revolution would bring about a ringing endorsement of a regenerated PZPR in the elections. Since that time, however, he has failed to translate his personal popularity into support for the PZPR, which remains an anathema to the people.

Internal and external pressures have forced Gomulka to exercise maximum caution in the initiation of new, more liberal internal policies. In these circumstances, the population, already dissatisfied with economic conditions, has become cynical and negativist, readily susceptible to the black propaganda generated by the pro-Soviet Natolin group, which is covertly encouraging the populace to abstain from voting or to scratch candidates' names from the lists in an effort to discredit the regime.

Of particular danger to Gomulka is the disaffection of workers and students. [redacted]

[redacted] labor has little heart for work; workers' councils are not fulfilling expectations; the regime has steadfastly refused to pay the workers money due them as premiums and other arrears; and the threat of unemployment hangs heavily in consequence of the regime's efforts to conserve

25X1
25X1

25X1

~~CONFIDENTIAL~~
~~SECRET~~

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

17 January 1957

raw materials, particularly coal. Worker anxiety over not earning enough money has now reportedly been transformed into fear of losing one's job altogether. This fear extends to white-collar workers and state employees, many of whom have already been dismissed in reorganizations designed to pare the bureaucracy.

Students, dissatisfied with the slow progress of liberalization, are generally found in the forefront of sporadic local disorders.

Party Opposition

The most active opposition to Gomulka is within the party itself, where anti-Stalinist feeling among the rank and file is reported to be very strong. Although not attacking Gomulka and those few individuals most closely identified with him, this group is dissatisfied with the continued presence in high positions of those who held party and mass organization posts before the October revolution. Their dissatisfaction has focused on the Jewish element within the party and on the liberal intellectual wing which has

supported Gomulka. These people are being attacked by the rank and file as opportunists and, frequently, as "agents of international reaction." As a result, a widespread sense of pessimism has reportedly supplanted the feeling of optimism prevalent in the liberal group last fall.

The party rank and file is being encouraged by the "Natolin" dissidents to press these attacks and to agitate for a "housecleaning" within the party as well as in the Sejm. In those cases where local party elections have already been held, well-known candidates have often been repudiated in favor of young "new blood" with uncertain loyalties. These developments have doubtless given the party leadership pause to consider its position within the nation as a whole, and to use whatever remedies it can, but the prospect for the immediate future seems to be that Gomulka will find it increasingly difficult to implement his program. While he will continue to receive homage personally, his hands will become more and more tied by the subversive efforts of party dissidents.

25X1

ALGERIA

Widespread disorders and bloodshed may occur in Algeria in connection with the UN discussion of the Algerian situation later this month. Tension between Europeans and Moslems is such that either the settlers, the rebels, or the French military might take action that would set off an explosion.

The rebels have rejected French premier Mollet's renewed bid on 9 January for a ceasefire without prior political commitments and have called on Moslems in Algeria and France for an "immense national manifestation" in the form of a week-long general strike coincident with the UN debate. The French general in charge of

SECRET

SECRET

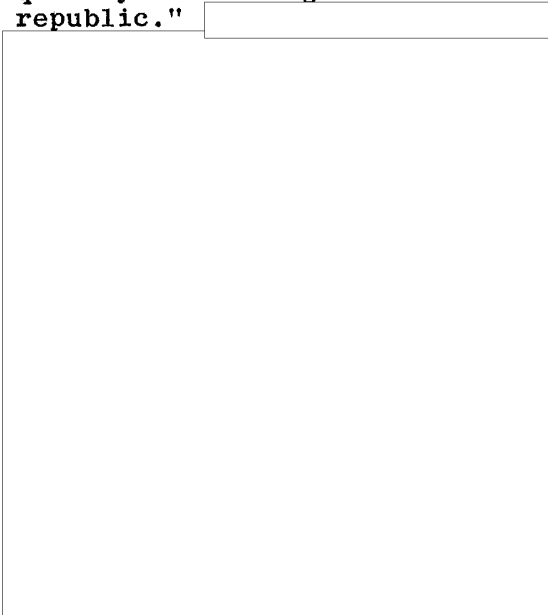
CURRENT INTELLIGENCE WEEKLY SUMMARY

17 January 1957

security for the Algiers area has warned, however, that the military will break open the doors of any Moslem shops that participate in the strike.

The rebels have stepped up their terrorism. Bazooka rockets fired into French military headquarters in Algiers during the night of 16 January killed the aide to France's commanding general in Algeria.

Tension is reported mounting among European Algerians who fear abandonment by Paris and they are talking more frequently of forming a "white republic."



Mollet has acknowledged that direct action by the

settlers would probably lead to a blood bath in which casualties in Algiers alone might reach 40,000 or 50,000 within 24 to 48 hours. Such violence would almost certainly spread to Morocco and Tunisia.

France apparently still hopes to prevent action on the Algerian question by the UN General Assembly, before which Paris intends to defend its policy vigorously. The French might settle, however, for a mild resolution. Their UN delegation, now soliciting the support of other delegations, has apparently dropped its plan to insist on a vote in the assembly on the UN's competence to discuss the Algerian issue. Mollet's warning of 8 January still stands that a resolution condemning French policy would cause France to withdraw permanently from the United Nations.

Mollet's freedom to vary Algerian policy is narrowly circumscribed by his need for rightist support in the National Assembly. The by-election in France on 13 January supported the conservative Algerian policy rather than that of the Mendes-France faction, which is charged with favoring "abandonment" of Algeria. During the election campaign, the right showed its willingness to back up its stand on Algeria by resorting to violence to influence election results.

25X1

EGYPT-ISRAEL

UN forces continue to move forward in Sinai, but the conflicting Egyptian and Israeli views on the future status of the Gaza strip and the Tiran

Straits foreshadow a long diplomatic battle over these issues. Israel has announced its forces will be out of all of Sinai except Sharm al Shaikh by

SECRET

SECRET

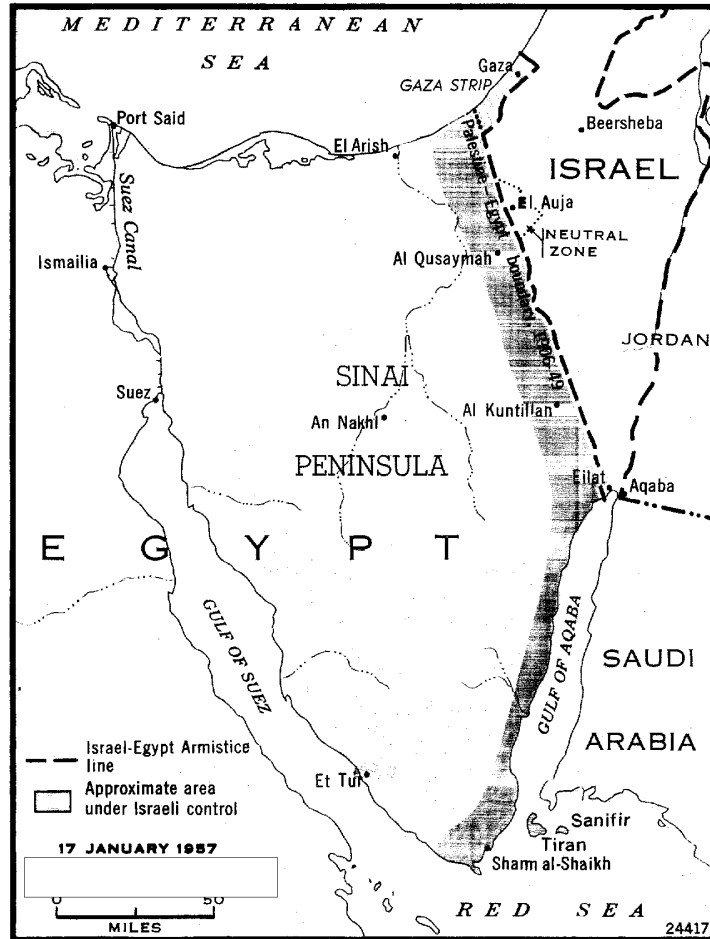
CURRENT INTELLIGENCE WEEKLY SUMMARY

17 January 1956

22 January. The Israelis are making a determined effort to obtain free-passage guarantees for the Straits of Tiran leading into the Gulf of Aqaba. The Israeli ambassador to the United States has said Israeli forces would not withdraw from Sharm al Shaikh until such guarantees are obtained. Israel is using its plans for construction of oil pipelines from Eilat to Haifa, bypassing the Suez Canal, to promote greater Western interest in securing and maintaining freedom of transit in the Gulf of Aqaba.

Discussions of the future status of the Gaza strip have been deferred, but Israeli officials are promoting a plan for Israeli police control under UN supervision.

Egypt maintains that no negotiations on these issues can be undertaken until Israel withdraws behind the 1949 armistice lines. Cairo has threatened to deny Suez passage to British and French vessels unless the status quo ante bellum is restored. Nasr told Ambassador Hare on 10 January that the canal issue must soon be solved, but he foresaw a "serious problem" if Israeli evacuation is not completed before the canal is cleared. He reiterated his unwillingness to negotiate directly with



Britain and France and stated that tolls could be paid only to the Egyptian canal authority.

General Wheeler, in charge of canal clearance operations, estimates that the canal will be open by late February or early March to medium-draft ships of about 10,000 tons. Clearance of the channel permitting ships of 35-foot draft is not expected before April.

Reports from Egypt that pressures on the Nasr regime are mounting suggest that Nasr may be in trouble. He shows,

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

17 January 1957

however, no sign of willingness to modify his stand.

The economic situation has become critical. Cairo's total foreign exchange holdings are now only about 10 percent of the normal working balance. Reserves of oil, spare parts, and raw materials are about exhausted. Kerosene has been severely rationed, and rice and gasoline are slated for rationing soon. Nasr, probably in an effort to halt public dissatisfaction, announced on 14 January he would head a new supreme economic planning committee to alleviate Egyptian economic problems. Cairo's enactment on 15 January of four new laws designed to "Egyptianize" economic activities in Egypt will have no immediate economic benefits and may only wipe out the remaining confidence

of the Egyptian business community in the Nasr government's ability to keep the country from bankruptcy.

The Sinai debacle and the present purges of army officers are increasing dissatisfaction with the Nasr regime. Although there is as yet no good evidence that any group in Egypt is capable of seriously threatening Nasr's control, dissatisfaction caused by military defeat and the continuing purge of army officers suggests increased trouble for Nasr. Widespread rumors of an imminent revolt led by dissident army elements were recently circulating in Alexandria.

25X1

INDONESIA

Indonesia's political crisis is the most far-reaching in its short history of independence, and seems likely to result in a radical alteration of the basic governmental structure of the republic. President Sukarno apparently intends to set up an authoritarian regime, and if non-Javanese areas reject Sukarno's dictatorship and are supported by important army elements, Djakarta's authority would probably be further reduced in the outlying islands and separatist tendencies would increase.

Sukarno announced to foreign correspondents on 17 January that he hopes to set up an "advisory council" to solve the national crisis precipitated

by army coups in Sumatra in December. His statement follows reports in the Indonesian press during the past week, probably published to elicit political and regional reactions, that the council would be under Sukarno's personal leadership, would have a membership of 14, and would include representatives of major Indonesian political thought--religious, nationalist, and Marxist.

In addition, it would have members drawn from the military, youth groups and "mass organizations." In operation, the council reportedly would both originate policy and issue implementing regulations. The cabinet would be responsible to the council, acting as its executive

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

17 January 1957

agent, and parliament's role would be restricted to legislation in the field of "reconstruction."

The council would be the agency for Sukarno's proposed "guided democracy," as opposed to what he terms a "Western-type democracy" which, he says, permits "unfettered" activities of political parties to the detriment of the nation. The new government structure would give Sukarno direct control over the government. He would undoubtedly propose Communist participation in the council in the interests of "national unity" and probably would support the Communists in their demand for representation in a new cabinet if Prime Minister Ali's cabinet should fall.

Sukarno's success in carrying out his plan will depend on the support given him by the army, the National Party, and the Nahdlatul Ulama (NU), a Moslem party whose co-operation with the Nationalists has provided the basis for Indonesian government since the 1955 elections. Success will also depend on the extent of resistance offered the plan in non-Javanese areas, where federalist sentiment is high and where the council would be regarded as an effort to perpetuate strongly centralized control.

The coalition cabinet appears near collapse with the reported decision of the NU "to persuade the government to resign." The NU, which previously had announced it would stand with the National Party to preserve the cabinet, apparently reversed its position following the defection of PERTI, a small Moslem party, on 15 January. Presumably it also considered as unsatisfactory National Party concessions to keep it in the cabinet. The NU may wait to take action, however, until parliament convenes on 21 January.

Djakarta's efforts to resume normal relations with the three Sumatran provinces continue to be ineffective. The Central Sumatran government, under army rule since December, on 11 January called again for the resignation of the Ali cabinet. President Sukarno has announced he will send a personal emissary to meet Colonel Simbolon, the rebel commander in North Sumatra, but Simbolon reportedly has said he will surrender only to a new cabinet under former vice president Hatta. South Sumatra continues to withhold revenues from the central government. Two sub-provincial areas in Central Sumatra have demanded provincial status of their own, and an area in the Celebes is reported about to do likewise.

25X1

* * *

SECRET

CONFIDENTIAL

CURRENT INTELLIGENCE WEEKLY SUMMARY

17 January 1957

PART II

NOTES AND COMMENTS

SOVIET CONCERN OVER STUDENT UNREST

Official concern over expressions of "harmful and unhealthy ideas" among Soviet university students has continued to mount in the last several weeks. Party and Komsomol conferences devoted to this problem are being held throughout the Soviet Union, and the press is filled with ideological appeals and veiled threats. The youth paper, Komsomolskaya Pravda, in a recent article warned of "hostile anti-Soviet elements" among the youth. The use of this ominous epithet from the Stalin era suggests that the previously more moderate approach has had little effect and that the regime may be preparing to resort to repressive measures.

Judging from reports in the Soviet press, questioning of Soviet policy and Communist dogma and demands for greater freedom on the part of students have taken many forms and appear in many cases to be the product of serious reflection and concerted action.

In Leningrad, students of a railway institute issued a handwritten manuscript called "Fresh Voices" which, according to the Soviet press, "nihilistically defamed socialist realism." In another institute, students have put out a journal called Heresy containing "decadent" poems, and Moscow university students tacked on the bulletin board BBC news items containing "slanderous attacks against the Soviet press." In addition, according to numerous reports, students have been asking embarrassing questions about the situation in Hungary, demanding more truthful news in Soviet papers, calling for a two-party

system and generally demanding wider freedom and questioning basic aspects of the Communist system.

While most of the official criticism is directed at universities in Leningrad and Moscow, there is considerable evidence that the problem exists throughout the Soviet Union. Official complaints against students have been voiced in numerous areas including the Soviet Far East.

Despite the Soviet claim that "unhealthy" attitudes are isolated manifestations, the fact that on several occasions as many as 100 students have walked out on political lecturers who failed to answer their questions suggests that the "infection" is fairly widespread.

One of the most disturbing aspects of this problem from the regime's point of view is that the individuals guilty of these "harmful" attitudes do not appear to be misfits or people unable to conform to or be contented in any social order. On the contrary, these students are members of the elite on which the regime depends for future technicians, administrators and cultural leaders. They include students of the humanities, engineers, scientists and even naval cadets. Such students in the past normally were content to leave "contributions" to Marxist-Leninist theory to Stalin and the agitation and propaganda department of the central committee.

Another element disturbing to the regime is that many of the students who are voicing unorthodox views are members of

CONFIDENTIAL~~SECRET~~

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

17 January 1957

the Komsomol, the Soviet youth auxiliary of the Communist Party. The overwhelming majority, in some cases as high as 90 percent, of the students in Soviet universities are Komsomol members. Not only have these members failed to provide models of correct political thinking in the colleges but in many cases they have been among the first to overstep the bounds of acceptable behavior. The complaint that the party has failed to lead and direct the Komsomol is frequently voiced in the press and on several occasions it has been admitted that some Komsomols oppose the party and take an independent attitude.

This revolt among students is a phenomenon unparalleled in

Soviet history since the 1920's. Probably the primary explanation lies in the growth of free discussions among individuals, stimulated by the relaxation of police controls and the de-Stalinization campaign. Soviet citizens, particularly students, are no longer afraid to discuss unorthodox beliefs with each other. Being no longer isolated intellectually, the students have gained courage as well as new ideas.

25X1

25X1

CHOU EN-LAI'S MISSION IN POLAND

Chou En-lai's speeches during his recent Polish visit made clear that Communist China is still sympathetic toward the Polish desire for freedom from Soviet domination and will support the Gomulka regime in a position of relative independence within the bloc. At the same time, however, Chou evidently tried to impress Polish leaders with the vital importance of bloc unity--under Kremlin leadership--in the face of "imperialist aggression," and to warn them of the necessity of preventing or suppressing anti-Soviet actions inside Poland which might result in a forceful reimposition of tight Russian control.

Chou arrived in Warsaw on 11 January after a four-day stopover in Moscow, and his views probably reflect Sino-Soviet agreement that the Gomulka regime should be accorded a special position in the bloc as long as the Poles are co-operative. The

Chinese have previously indicated that the Poles have gone beyond the permissible limits of independence and stressed that all bloc members must remain faithful to the Soviet model in essentials and closely aligned with the Kremlin on foreign affairs.

The economic effects of recent developments in Eastern Europe undoubtedly added to the Chinese Communist political interest behind Chou's efforts to dissuade the Poles from following a divisive course.

25X1

25X1

25X1

the failure of the Satellites to deliver promised machinery and manufactured goods has caused Peiping to re-examine its situation and scale down the industrial section of the

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

17 January 1957

Second Five-Year Plan. The Satellites have been providing \$400,000,000 worth of industrial and transportation equipment to China annually--in addition to the \$800,000,000 worth of material sent by the Soviet Union.

There have been some indications since Chou arrived in Warsaw that the Poles have been brought around to partial acceptance of the Sino-Soviet compromise by the combined force of Chinese persuasion and Soviet pressure. In an election speech of 14 January, Gomulka acknowledged Soviet leadership of the bloc in foreign relations, justified once again the presence of Soviet troops in Poland, and emphasized the improvement of

relations with Moscow since last October.

Reports from Poland say the government has moved to silence elements openly hostile to the Soviet Union, and the press has become increasingly critical of Western policy while giving greater emphasis to solidarity with the bloc. The final communique issued on 16 January suggests Sino-Soviet ratification of Poland's recently won independence within the bloc with respect to matters of internal policy--in exchange for Polish fidelity to the main lines of bloc foreign policy. (Con- 25X1 curred in by ORR)

HUNGARIAN REGIME STEPS UP REPRESSION

The Kadar regime in Hungary has stepped up its campaign of terror against all forms of resistance, vowing a "merciless" campaign to exterminate its enemies and threatening the death penalty for almost any form of "antistate activity." Many government and party officials, however, are thoroughly disorganized and Premier Kadar apparently is constantly watched by a cordon of Soviet bodyguards.

The Political Situation

Worker reaction to the regime's 6 January reassertion of the "proletarian dictatorship" was "furious," according to the American legation in Budapest. The end of the brief "undeclared truce" between the regime and the people on 11 January was signaled by walk-outs in several key industrial plants in the city and on Csepel Island. Some members of plant workers' councils simultaneously resigned, protesting government

moves to place regime front men in top factory management spots and to lay off thousands of workers. Many workers apparently feel the regime has deliberately fostered widespread unemployment in order to gain recruits for the mines, to get rid of political undesirables and as a general weapon to brandish in time of need.

This open defiance was met by the regime on 11 and 12 January with a sweeping extension of the martial-law decree and a reassertion of the ban on public meetings and processions. Martial-law procedures now cover virtually all forms of alleged "antistate" activity, with death the normal penalty for violating the decree. Minister of State Marosan, whose speeches have been even more pro-Soviet than those of Kadar, frankly revealed the regime's general intentions on 14 January when he promised that the government would be "both

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

17 January 1957

consistent and merciless" in its fight against all "enemies."

Regime attempts to carry out this "merciless" line have been hamstrung, however, by government and party disorganization and disloyalty. [redacted]

[redacted] the government is almost totally disorganized, with virtually no contact between cabinet ministers and their staffs. Complicating the situation is the basic hostility, even within the party, toward the USSR; there are no pro-Soviet Communists left in Hungary now. [redacted]

[redacted] and even Premier Kadar is surrounded by Soviet bodyguards.

[redacted] Kadar as a national Communist who intends to retain the strictly economic gains of the revolution but who feels that any political concessions could lead only to a new blood bath and complete chaos.

Kadar's national Communism has, of course, been completely compromised as a result of both Soviet orders and the pressure of events. He is unlikely to assert any of his previously held national Communist tenets so long as disorder prevails in Hungary, but a return to normality might lead him to press for a new relationship with the USSR.

Economic Troubles

Worker reluctance to get production going is only one of several reasons why the regime is--in the legation's words--"whistling in the dark" in trying to formulate a workable economic program. Inflationary pressures pose a constant threat to the economy, and the government has admitted

that signs of inflation are becoming apparent. To forestall this, the regime plans to cut the 1957 budget, especially in government administrative expenses, national defense and capital investments, completing only those capital projects which require "very little expense" and which help to increase stocks of consumer goods. The government has also pledged itself to curtail the export of consumer goods and to emphasize consumer goods production for home use.

[redacted] coal production--the most critical problem--probably cannot reach normal levels before the end of this year. The outlook for urban food supply is also unfavorable, although basic foods are presently available. The procurement and distribution system is not functioning properly and this, coupled with low stocks, could lead to critical food shortages by late spring if supplies are not obtainable from the Soviet Union or elsewhere.

The regime hopes many of its problems will be solved with aid from both the Communist and non-Communist world. It was granted a rehabilitation loan of \$50,000,000 from the USSR on 30 December and a like amount was offered by the Chinese Communists in early January. Lesser amounts of aid have been offered by other Satellites and Yugoslavia. Reaction to Hungarian requests for Western aid, other than in the form of immediate relief supplies, has been equivocal. Some United Nations officials, however, apparently seeing no alternative, intend to press Western governments for aid to be given through the United Nations but distributed by the Kadar regime. [redacted]

[redacted] (Concurred in by ORR)

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

17 January 1957

SOVIET RESPONSE TO US MIDEAST PROPOSALS

The USSR has launched a full-scale propaganda rebuttal to the American Middle East proposals--including an official statement released by TASS on 12 January--that is primarily aimed at encouraging Arab rejection of any American offers under the plan. Moscow is trying to arouse Arab suspicions that the United States intends to reimpose "colonial domination" on Arab countries "fighting for their independence" in the Middle East.

Khrushchev asserted on 13 January that the trend of history supports the socialist and national liberation forces. He told his Uzbek audience that American "imperialists" are attempting to replace "French imperialism" and the "British lion," which "lost his tail in Egypt," but that the "Eisenhower doctrine" will be "thrown onto the garbage heap of history."

An official TASS statement was issued on 12 January, giving a point-by-point rebuttal of the proposals. It portrayed the USSR as a benevolent observer of the Arabs'

"liberation struggle," and described the American proposals as anti-Arab as well as anti-Soviet. Moscow's hope that the proposals will be rejected throughout the Asian-African area was reflected in several allusions to the principles of Bandung.

The statement attempted to disparage the economic aid provisions of the program, alleging that American and British "oil monopolists...made a net profit of \$1.9 billion" on Middle East oil during 1955, and warned of the dangers of new Israeli "predatory plans" which would follow from the American proposals.

TASS termed President Eisenhower's message the "voice of war and not the voice of peace." This theme was enlarged on by other Soviet propaganda media. Moscow radio on 12 January spoke of the "swagging statements" in the State of the Union address, and Pravda on 14 January spoke of the "false assertions" being made to Congress as supported by only a "few reactionary public figures of the capitalist world."

25X1

YEMEN-ADEN BORDER HOSTILITIES

Incursions into the western Aden Protectorate by Yemeni irregulars and dissident tribesmen formerly from the protectorate have continued, and skirmishes in the Beihan valley area have involved increasing numbers of men. In

addition to protectorate tribesmen and tribal guards, British-led levies have been engaged, and a company of British infantry has moved into the town of Beihan. Hostilities have therefore shifted eastward from the Dhala-Qataba sector, which

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

17 January 1957

was the center of trouble during December. Another company of British infantry has been in Dhala for several months.

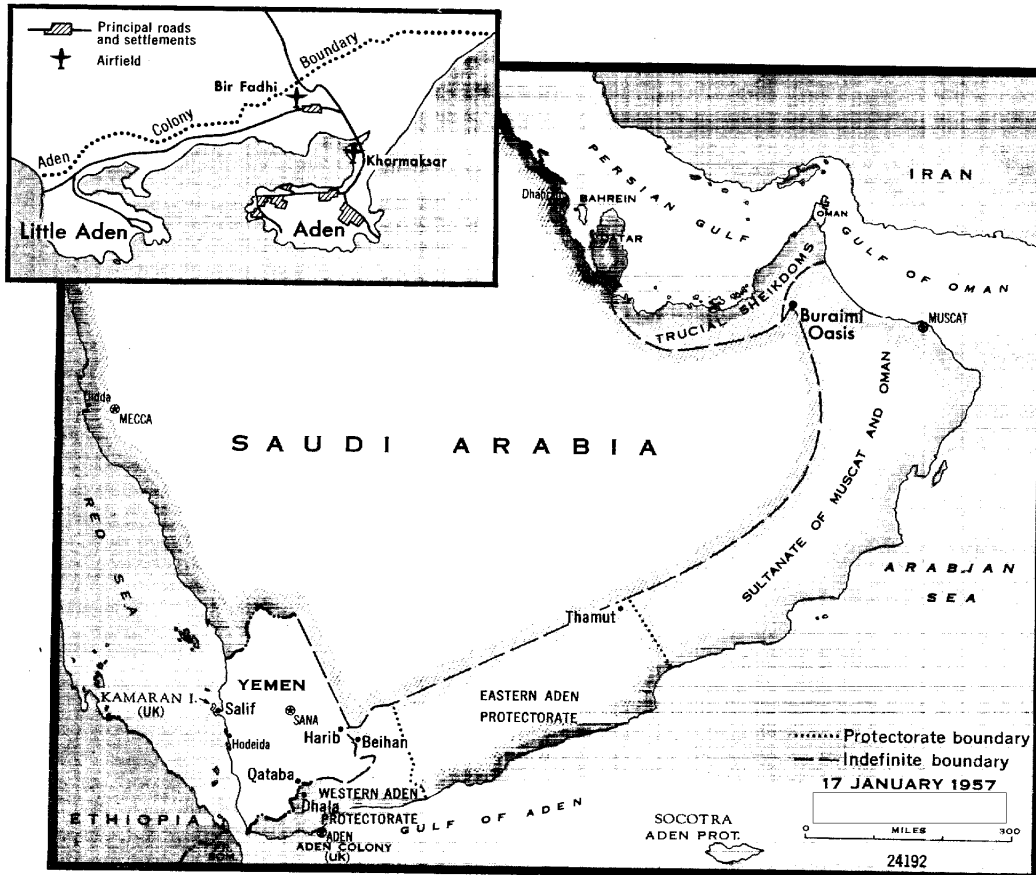
New outbreaks are possible in the eastern Aden Protectorate in the Thamut area, where a subsidiary of the Iraq Petroleum Company is prospecting for oil. A prominent member of the Arab community in Aden Colony has warned that southern Arabia may become "another Algeria."

In addition to reinforcing their positions in the Aden-

Yemen frontier area, the British have undertaken limited military operations against Yemeni-occupied positions in areas claimed by protectorate sheiks in an effort to halt Yemeni border incursions and subversion of protectorate tribes.

A British naval vessel is reported to have been sent to disputed Kamaran Island, which is controlled by Britain and lies within Yemen's territorial waters off the main port town of Salif.

Britain is promoting a joint inspection of the



25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

17 January 1957

Yemen-Aden frontier area, but Yemeni raids have taken place even while preliminary talks were in progress. The Foreign Office is also considering asking for a United Nations fact-finding or boundary demarcation mission, but fears that submitting the question to the UN might benefit only the Asian-African bloc or lead to

unworkable procedures for adjudicating the border dispute. While the prospects are very slim for settling the dispute by these efforts, the British evidently believe they must make some public gesture toward such negotiations to offset the effect of Yemeni, Egyptian and Soviet propaganda.

25X1

25X1

JORDAN

The Jordanian delegation seeking Arab aid to replace the British subsidy departed Cairo for Saudi Arabia on 15 January after nearly a week of discussions in Egypt. Although Cairo press reports termed the talks "very successful," no further information has been made public. Jordan's King Hussain, meanwhile, departed on 16 January for consultations with King Saud in Medina in an attempt to obtain precise information on Arab aid and to discuss the possibility of reaching a bilateral agreement with Saudi Arabia.

25X1

It appears that some assurances of Arab aid have been obtained by the Jordanian delegation. Reports from Amman meanwhile indicate that King Hussain welcomed the American Mideast proposals as offering the prospect of American aid to replace the British subsidy.

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

17 January 1957

SITUATION IN LAOS

The Laotian assembly's debate on the government's agreement of 28 December for a coalition with the Pathet Lao is imminent, and approval, perhaps with some modification, appears probable. A number of deputies reportedly have misgivings about the agreement and intend to seek clarification of the clauses relating to the integration of the Pathet forces into the army and control of the two disputed northern provinces. There is therefore some possibility that the assembly will insist on revisions designed to strengthen the government's position. The Pathet Lao would probably be most reluctant to accept any significant revision.

The prospect that the agreement will receive a critical examination in the assembly has been enhanced by the return

from a trip abroad of Deputy Premier Katay, who has previously indicated opposition to it. Several other prominent Laotian leaders have indicated they would seek to set some time limit for the Pathets to carry out the terms of the agreement--noncompliance would be justification for the overthrow of the government. Crown Prince Savang told the British ambassador that he was adamantly opposed to the agreement, and he will presumably convey his views to the cabinet prior to the assembly vote.

Meanwhile, Premier Souvanna Phouma, fearing the United States might withdraw its economic aid following assembly approval of his Pathet Lao settlement, is reportedly seeking aid from India and France. He is also reportedly willing to receive aid from Communist China.

25X1

NORTH VIETNAM

The sixth session of North Vietnam's National Assembly--scheduled to last 20 days--opened on 29 December in Hanoi with 229 deputies in attendance, including 73 allegedly from South Vietnam. Premier Pham Van Dong's report on domestic and foreign policy was the highlight of the session. Although Hanoi has declared its intention to strengthen the assembly's powers as the nation's supreme legislative organ, the assembly is largely a platform for pronouncements on the main lines of Viet Minh policy.

Domestic Policy

The Viet Minh leadership apparently felt called on to

declare its attitudes with respect to the widespread disaffection in North Vietnam which had recently culminated in popular disorders requiring suppression by Communist troops. Dong admitted that serious errors in the land reform program had caused "suffering to the people." He promised that the "mistake-correction" campaign to rectify these abuses will be speeded up and completed in 1957. The regime appears to be making some headway in this campaign. According to Hanoi radio broadcasts, peasants who had been unlawfully dispossessed of land are receiving some form of compensation, and innocent party members who had been

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

17 January 1957

mistakenly accused are being reinstated.

The regime has recently warned, however, against any "excess of democracy" and a mid-December government decree cautioned the press against antiregime articles.

Foreign Policy

In his remarks on foreign policy, Dong strongly reaffirmed the regime's allegiance to the Communist bloc and its support for Soviet policy toward Hungary. He stated that the "just" assistance of the Soviet army had "stopped in time the bloody hands of the counterrevolutionaries" and enabled Hungary to remain in the bloc. Repeating a theme which has received strong emphasis in Peiping, Dong stressed, however, the need for equality in relations between Communist countries. A further intimation of Peiping's stature in North Vietnam was Dong's insistence on the necessity for closer relations "first of all with the Soviet Union and China," a phrasing now being used only by the Viet Minh.

Paralleling Peiping's invitations for unofficial con-

tacts with countries which have not formally recognized the Chinese Communist regime, Dong affirmed that North Vietnam also is "longing to develop friendly relations" with all Asian-African countries. North Vietnam's first trade negotiations with a nonbloc government since the French-Vietnamese agreement last year were successfully concluded on 8 January with the Indonesian government. The agreement, however, will probably result only in an insignificant amount of trade between the two countries.

The recent uprisings in North Vietnam and the increasing viability of the Diem government apparently have set back Hanoi's efforts to discredit the South. Reflecting the regime's desire to recoup its losses, Dong attacked the "dictatorial rule" of the South Vietnamese authorities, who were said to have placed their government under the "colonialist rule" of the United States. He avoided threats against the South, however, and reaffirmed North Vietnam's desire for a peaceful reunification of the country and called for normal relations in all fields between the North and South.

25X1

SOUTH KOREA'S INFLATION

Prices in South Korea have reached a level which, under the terms of the US-Korean agreement of August 1955, may require an upward revision of the official hwan-dollar exchange rate at the end of the first quarter of 1957. In an attempt to avoid such action, South Korea has instituted emergency measures to stabilize prices. The success of these measures, however, appears doubtful.

Although running well above the level of 1955, Seoul whole-

sale prices followed a normal seasonal pattern in 1956 until November and December. During these months, the effect of a small rice crop--14 percent below average--caused a serious price rise. The degree of inflation may be judged by the fact that the "open market" hwan-dollar exchange is now about 1000 to 1 while the official rate remains at 500 to 1.

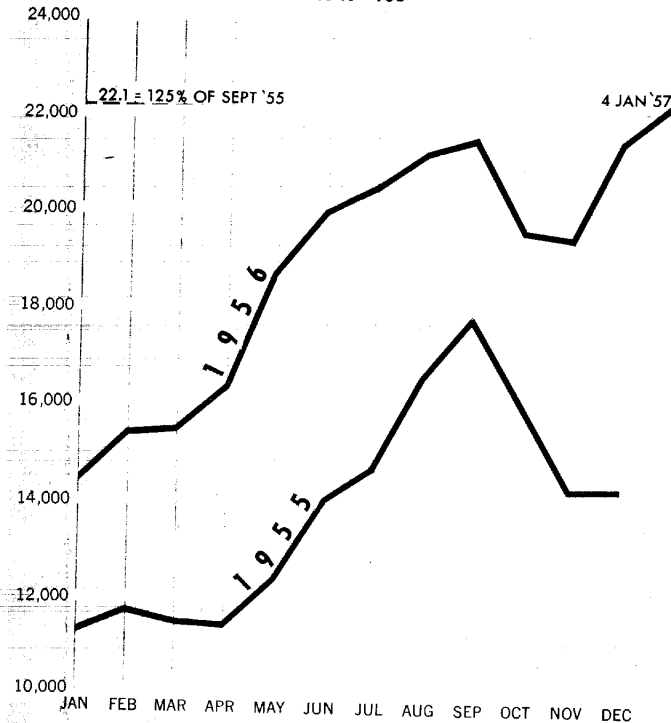
The pressure behind the drive to hold prices down stems largely from President Rhee's obsession with maintaining a

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

17 January 1957

INDEX OF SEOUL WHOLESALE PRICES
MONTHLY AVERAGE
1947 = 100



been undertaken, including a Ministry of Finance announcement that an emergency reduction of government financial operations in the first quarter of 1957 "has become unavoidable."

It is doubtful that these measures will succeed in holding prices down sufficiently. March and April, preceding the winter wheat and barley harvests, are traditionally months of high grain prices, and the government has yet to demonstrate its determination to control its deficits--a major cause of inflationary pressure.

Should these measures fail to bring prices down by March and if the United States insists on revision of the exchange rate, President Rhee

fixed exchange rate. Under the 1955 agreement, if Seoul wholesale prices in the last month of a quarter exceed the September 1955 level by more than 25 percent, then negotiations are to be held to revise the exchange rate. Any attempt to implement the agreement is certain to enrage Rhee, who has indicated he will resist any such move.

On 4 January 1957, the weekly price index reached 26.3 percent above the September 1955 level and was still rising. Rhee has asked the public to hold prices down and to eliminate hoarding. A ministerial-level price stabilization committee was formed and accelerated American aid was requested. "Emergency" counter-inflationary measures have

may try to blame the inflation on the slow arrival of aid goods. He may also cite American pressure on South Korea to use currency instead of "in kind" transactions in more of the government's financial operations, to increase prices on government monopoly goods and services, and to raise Korean government and military pay scales.

The American embassy reports that the Ministry of Finance directed the Bank of Korea to withhold the 4 January price index figures, but they had already been made public. This suggests that political pressure may be brought to bear on the Bank of Korea to manipulate the next price index.

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

17 January 1957

NEW BRITISH CABINET LOOKS TO CLOSER TIES WITH EUROPE

The new cabinet announced by Prime Minister Macmillan on 13 January emphasizes continuity with the preceding Conservative government but suggests a greater effort toward strengthening Britain's ties with Europe and toward making more strenuous moves to improve the British position in world trade.

The note of continuity evident in the relatively small number of cabinet changes appears most markedly in the retention of Selwyn Lloyd as foreign secretary. There is some speculation, however, that Lloyd may have been retained only temporarily in view of the scheduled retirement at the end of January of the Foreign Office's permanent under secretary, Sir Ivone Kirkpatrick. His replacement, Sir Frederick Hoyer Millar, is the present British ambassador to West Germany.



THORNEYCROFT

Increasing emphasis on ties with the Continent is indicated not only by some of Macmillan's appointments but by his own statement in a briefing of correspondents on

11 January. As an immediate goal, he spoke of the need for a stronger European bloc in the UN--a reflection of mounting British sensitivity to the Asian-African voting strength. Macmillan himself has a long record of official



SANDYS

and private support for closer European ties.

Peter Thorneycroft, Macmillan's successor as chancellor of the exchequer, is the foremost proponent of British participation in a European free trade area. As president of the Board of Trade in the Eden government, he was given the main credit for initially persuading Macmillan and the cabinet of the desirability of this significant change in British policy, and also for gaining the endorsement for the idea by a majority of British industrialists and trade union leaders.

Duncan Sandys, the new minister of defense, has for at least the last dozen years held that a much greater degree of co-operation between Britain

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

17 January 1957

and the Continent is essential for long-term European stability. He was an active promoter of the 1948 congress which gave birth to the Council of Europe and instrumental in interesting his father-in-law, Sir Winston Churchill, in the project.

Sandys, who was notably successful as minister of housing, is the sixth incumbent of the Defense Ministry in the past two and a half years. These frequent shifts at the top have come at a time when the government has been endeavoring to reconcile the increasing need for improving Britain's economic

position as an exporting nation with the increasing costs of a defense establishment prepared for nuclear warfare.

In an apparent attempt to bring new thinking and energy to the industrial power problem, Macmillan went outside parliament to pick a prominent industrialist, Sir Percy Mills, as minister of power and elevated that post to cabinet rank. The American embassy in London notes that this is in line with Macmillan's conviction that increasing British productivity and industrial resourcefulness is the only way to maintain Britain's international position.

25X1

ADENAUER AND EUROPEAN SECURITY PLANS

The West German government is increasingly responsive to election-year pressures on it to explore every means of promoting the reunification of Germany. This pressure probably led to Adenauer's statement at his 11 January press conference that he remains interested in a European security system to be agreed on between the Western powers and the USSR.

Adenauer has come under increasing opposition attack for failure to achieve German unification. He recognizes that the unification problem cannot be solved in isolation, but must be accompanied by a broader East-West understanding on European security. In the German view, any solution must satisfy Moscow's security requirements. Adenauer and other Bonn officials are thinking in terms of a buffer zone with reduced forces between the USSR and Western Europe. Adenauer is anxious for Bonn to take the lead on proposals of this kind, since his fear of a Western-Soviet agreement

based on a continuous division of Germany has not been dispelled.

In his press interview on 11 January, Adenauer stated that the West German government has been continuously studying the merits of a "thinned out" armament zone since the plan was first proposed at the 1955 foreign ministers' conference. Bonn's reunification note of 7 September 1956 to Moscow proposed consideration of the 1955 Eden plan, which called for a zone of controlled armaments after Germany is reunified.

Bonn may refer to the Eden plan again in the new reunification note being prepared for delivery to Moscow in February in an effort to keep up a bilateral exchange of ideas on reunification. Meanwhile, Bonn is pressing its three main Western allies for talks on a joint position regarding European security plans.

In the more publicized part of his press interview, Adenauer called for a ban on

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

17 January 1957

thermonuclear weapons without mentioning a control system, although a government spokesman commented later that this condition was implicit in the suggestion. Bonn has con-

tinuously stressed the need for an international disarmament agreement with an effective control system and has opposed Soviet schemes without such provisions. [REDACTED]

25X1

NEW SIGNS OF UNREST IN SPAIN

Reports of recent resignations from Generalissimo Franco's cabinet reflect mounting dissatisfaction among the regime's supporters over its ineffectual approach to Spain's increasingly serious inflation as well as Falangist leaders' irritation over their inability to secure permanent predominance for their party. The present transportation boycott in Barcelona in protest over the rising cost of living may lead to further strikes and demonstrations.

Minister-Secretary General of the Falange Arrese and Agriculture Minister Cavestany, were reported in the press as submitting their resignations on 8 and 9 January, but Arrese announced on 17 January that he was withdrawing his. Arrese has encountered strong opposition in the cabinet in his efforts to give the Falange constitutional permanence and a predominant role in Spanish politics through enactment of "fundamental laws."

resigned en masse on 10 January as a protest against the government's foot-dragging on this legislation. The withdrawal of Arrese's resignation does not necessarily mean that he has overcome the very strong opposition to his program on the part of the army, the monarchists and the church.

Cavestany, who reportedly resigned in support of Arrese, is at the same time involved in the difficulties over economic policy. He has been a leader of cabinet opposition to Commerce Minister Arburua's proposals for effective anti-inflationary measures, which include a reduction of government expenditures in various sectors of the economy, selective credit controls, and new excise and luxury taxes. Arburua is also reported to have offered his resignation.

The 14 January public boycott of Barcelona's transportation system as a protest against a fare boost is a repetition of events in the same city in March 1951. At that time the boycott was followed by a general strike which spread to industrial plants in Bilbao, San Sebastian and Pamplona. Several weeks later Franco carried out a major cabinet shake-up. Madrid has been full of rumors that he may undertake a similar shake-up within the next few weeks.

25X1

[REDACTED]

The 18-member political board of the Falange reportedly

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

17 January 1957

SOVIET PRESSURE ON GREECE

Moscow is exploiting the Cyprus issue to pressure the Greek government for closer relations with the USSR, threatening to withdraw Soviet support of the Greek position when the Cyprus issue is discussed in the UN General Assembly early next month. The policy of the Karamanlis government has been to avoid antagonizing the USSR lest it qualify or withdraw its support on Cyprus, at the same time stalling Soviet efforts to effect a Soviet-Greek rapprochement.

By abstaining on the order-of-debate motion on Cyprus in the UN, the USSR warned Greece that Soviet interest does not necessarily guarantee Moscow's continuing or unconditional support of a Greek solution.

Moscow also is exploiting Greece's critical shortage of petroleum products to bring about closer economic relations. A delegation is in Moscow to negotiate a new general trade agreement, the result of an informal agreement reached with

Soviet minister of trade Pavlov in September 1956. Local Greek reactions to Soviet actions in Hungary and in the Middle Eastern crisis delayed the delegation's departure, which was first scheduled for late October. A developing shortage of petroleum products forced the Greek government to give serious consideration to Soviet offers of "sympathetic" consideration for Greek needs and prompted the dispatch of the delegation on 13 December.

Much to the irritation of the Greek delegation, the negotiations have been drawn out, with the Soviet Union making maximum propaganda use of the presence of a Greek trade mission in Moscow. The USSR reportedly has made no real economic concessions and is requiring Greece to meet world market prices for the petroleum products it receives and to arrange transport. Throughout the negotiations, Moscow has insisted that a person of ministerial rank head the delegation, reluctantly accepting Under Secretary of Commerce Martis.

25X1

STALEMATE IN US-BRAZILIAN BASE NEGOTIATIONS

Brazil's insistence on United States economic aid as the price for permitting establishment of a missile-tracking base apparently stems in part from a conviction that the

United States will be forced to give in and that Washington's "preoccupation" with the Middle East will seriously undermine chances of aid to Brazil once the base question

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

17 January 1957

is settled. Nationalist politicians and newspapers, apparently goaded by the Communists' flat rejection of negotiations on any basis, have increasingly pressed the government to drive a tough economic bargain.

Brazil's insistence has created a new impasse which President Kubitschek has warned US ambassador Briggs must be solved before the Brazilian congress reconvenes on 1 February. He said congressional pressure for a voice in the matter, backed by nationalist and Communist agitation, would probably make agreement impossible after that date.

The mounting insistence on economic aid was formalized on 11 January when Brazil amended the terms of its 17 December acceptance of the American request. The amendment would commit the United States to sign separate agreements promising "accelerated" economic and military aid.

Originally, this portion of the Brazilian note was vaguely worded but appeared to ask only for increased military aid. Delays in finalizing the agreement--occasioned by attempts to clarify the wording--allowed time for the snowballing of public and official pressure for economic commitments. The statement on "accelerated" economic aid probably refers in part to Brazil's inability to draw as rapidly as it wishes on the substantial development credits granted by the US Export-Import Bank in 1956.

Although most of the responsible press has deplored the idea of "bargaining" over the missile base, public demand for developmental assistance has been voiced strongly by congressional spokesmen in a so-called revolt against the administration's announcement that agreement would be reached without a congressional review. A Foreign Ministry propaganda campaign at that time helped avert the anticipated public crisis over the "sovereignty" issue but failed to prevent powerful nationalists--both inside and outside the government--from transforming the question into one of "reciprocity." The two pro-Communists on the staff of the Brazilian National Security Council are probably trying to cause a complete breakdown in the negotiations.

Although the Brazilian government now appears deeply committed to forcing American economic concessions, its stake in avoiding public collapse of the negotiations is high. This stake, plus President Kubitschek's decision to take over the negotiations from the Foreign Ministry, could result in some modification of Brazil's position. The present impasse, however, is analagous to the stalemate in mid-December, when a combination of American concessions on "sovereignty" and a personal letter from President Eisenhower were required to force Kubitschek into demanding realistic and favorable cabinet action on a preliminary reply to the base request.

25X1

* * *

SECRET

25X6

Page Denied

Next 5 Page(s) In Document Denied

25X6

25X6

25X1

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

17 January 1957

THE FALLING LEVEL OF THE CASPIAN SEA

The level of the Caspian Sea has dropped sharply since 1929, causing significant changes in the configuration of the shore line. Dry land of poor quality has replaced many acres of valuable fishing grounds, and the problem of shoaling in both oil and fishing ports is becoming increasingly serious. Soviet scientists and engineers met in September in Astrakhan to reconsider the problem and advanced a plan of restoration, which, like previous ones, would be extremely costly.

Annual Loss

The level of the Caspian Sea has never been stable for any long period. Records, which date back to the middle of the 16th century, show that until 1929 the level of the sea fluctuated between a high of 72.2 feet below sea level and a low of 85.3 feet below. Since 1929 the level of the sea has dropped continuously, standing now at approximately 91.9 feet below sea level.

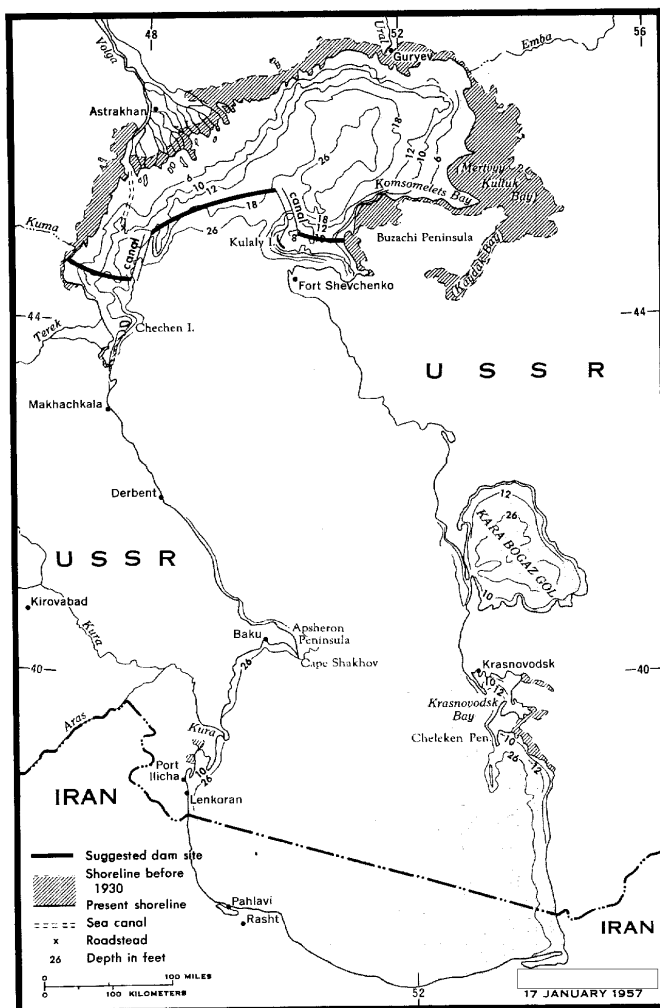
The Caspian Sea loses in excess of 412 cubic kilometers of water a year. Evaporation from the surface accounts for some 400 cubic kilometers of the loss. The flow into Kara Bogaz Gol, which is lower than the sea because of its faster rate of evaporation, accounts for a loss of between 12 and 22 cubic kilometers.

Yearly flow into the Caspian from

the rivers of its drainage basin and subterranean water amounts to 329 cubic kilometers, and rainfall, another 72 cubic kilometers. This total gain of 401 cubic kilometers falls short of the annual loss by at least 11 cubic kilometers.

Causes

Two basic factors are involved: a gradually warmer climate and the retention of water along the basins of rivers that flow into the sea. The higher temperature affects



25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

17 January 1957

the evaporation rate not only on the sea but also throughout its entire drainage basin. During the last hundred years, the mean annual temperature of the Caspian basin has increased more than 1 degree, enough to decrease by an estimated 10 to 15 percent the flow of the Volga River, which provides well over half of the Caspian's yearly inflow.

During the last 20 years, the Volga's contribution has dropped to between 200 and 220 cubic kilometers from a previous yearly average of 253 cubic kilometers. Hydroelectric projects built on the Volga in recent years are retaining an increasing amount of water in the river basin. Rybinsk reservoir on the upper Volga, completed in 1941, is filled. Huge dams at Gorodets, Kuybyshev and Stalingrad are in various stages of completion. A number of other dams on the Volga are planned or are in initial stages of construction. The Kama reservoir on the upper Kama River holds back an enormous quantity of water that would normally flow into the Volga.

The shore line of the Caspian Sea has been significantly altered in the process, particularly in the shallow northern basin. In 1930, the area of the sea was 424,300 square kilometers. By 1952, it had shrunk to 392,300 square kilometers. The most noticeable change in the outline of the sea is in the northeastern corner, where the former shallow bays of Kaydak and Mertvyv Kaltuk have dried up. All along the northern shores, the water has receded and many islands have been uncovered--some of them now inhabited. The southern shore line has also been altered: the tip of the Apsheron Peninsula, which was once Shakhov Island, is now Cape Shakhov. The former Cheleken Island is now Cheleken Peninsula.

Economic Results

Economic losses as a result of shrinkage have been estimated in the Soviet press at \$250,000,000 a year. The northern Caspian fishing industry, which in 1953 supplied 12 percent of the USSR's fish catch, is being seriously affected. Already some 11,000,000 acres of shallow warm water have dried up, and, according to a Soviet official, the fish catch has been cut in half.

The area's oil industry has also been affected, chiefly in the transport phase. Azerbaijan oilfields, though of decreasing importance, produce a little over one fifth of Soviet oil. Eighty percent of this amount leaves the area by tanker.

Although exploitation of petroleum deposits under the sea will not be significantly affected by the lowering of the water, the shoaling of ports is already a serious problem for the tankers. At Baku, the major oil port, constant dredging is necessary to maintain sufficient depth. Astrakhan, shown as a port on old charts, is now 60 miles inland on the Volga. A 116-mile sea canal, which also must be continually dredged, connects it with a roadstead out in deep water where Caspian tankers must transfer their cargo to vessels of lighter draft. Newly designed tankers of light draft can go up the canal when carrying only about two-thirds capacity.

Guryev maintains a canal and roadstead system like that of Astrakhan. Dredging is also necessary at Krasnovodsk. Transport problems have contributed significantly to the over 300-percent increase of capital investment per ton of oil in the area since 1946.

Reconstruction Projects

Several ambitious proposals have been advanced to halt the

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

17 January 1957

shrinking of the sea and restore its former outline, but most of them have been abandoned as impracticable. The Chief Turkmen Canal was to have carried water 700 miles to the Caspian from the Amu Darya River, a project abandoned since Stalin's death. Another proposal called for the diversion into the Caspian of certain north-flowing rivers, such as the Onega, Northern Dvina and the Pechora. A project still under consideration, would impound the waters of the upper Pechora by a series of dams and divert the waters into the Kama. This plan would provide the desired water level only after 15-20 years and has the added disadvantage of diverting the comparatively warm water important to shipping conditions on the Northern Sea Route.

The latest plan, proposed at a meeting of Soviet scientists and engineers in Astrakhan in September, is to build a 450-kilometer dam across the

northern end of the sea from Kulaly Island southwest to a point, as yet undesignated, on the western shore. According to this plan, which would also be expensive and time-consuming, the level of the sea would be raised in its northern basin to a depth of 16.7 feet, thereby restoring the failing fishing industry and reviving the northern ports.

The shoaling of southern oil ports, however, would undoubtedly be increased, since the effects of the sea's inflow deficit would be concentrated in the southern basin, where an expensive program of dams and locks would have to be devised. Moreover, the southern shore of the Caspian is Iranian territory. It is likely the aggravated shoaling of Iranian ports would be protested unless the USSR agreed to bear resultant dredging and other expenses. (Prepared by ORR)

25X1

* * *

25X1

SECRET

Page Denied

Next 2 Page(s) In Document Denied