

CO/ED

~~CONFIDENTIAL~~
~~SECRET~~

COPY NO. 18
OCI NO. 0055/57
24 January 1957

CURRENT INTELLIGENCE WEEKLY SUMMARY



DOCUMENT NO. 6
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS 25X1
NEXT REVIEW DATE: 10/29/80
AUTH: HR 70-2
DATE: 10/29/79 REVIEWER: [Signature]

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

~~CONFIDENTIAL~~
~~SECRET~~



10/29/80 25X1

THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECTIONS 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

The Current Intelligence Weekly Summary has been prepared primarily for the internal use of the Central Intelligence Agency. It does not represent a complete coverage of all current situations. Comments and conclusions represent the immediate appraisal of the Office of Current Intelligence.

CONFIDENTIAL

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

24 January 1957

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

PART I

OF IMMEDIATE INTEREST

MIDDLE EAST DEVELOPMENTS Page 1

The Israeli government and public seem resigned to face another UN condemnation and even economic sanctions, rather than withdraw farther from Egyptian territory. Egypt's position is supported by the Asian-African bloc and bolstered by the Arab "solidarity agreement" signed last week in Cairo. There are indications that Cairo may be preparing for the time when it will demand that the UNEF itself depart.

25X1

TENSION OVER ALGERIA Page 3

The opening of the UN discussion of the Algerian problem is expected to signal the start of a Moslem general strike in Algeria and perhaps a co-ordinated rebel military offensive as well. In France there are fears that such developments may lead to a settler uprising in Algeria which could jeopardize the existence of the Fourth Republic.

25X1

KASHMIR ISSUE Page 4

Tension is building up in India and Pakistan over Kashmir while the UN Security Council debates the future of the disputed state. New Delhi and Karachi are exchanging charges of aggressive intentions, but reports of troop movements are not confirmed.

25X1

PART II

NOTES AND COMMENTS

KING SAUD'S PROBLEMS Page 1

The visit of King Saud, who is scheduled to arrive in the United States on 29 January, follows his signing of a "solidarity agreement" with Egypt, Syria and Jordan. While Saud's position is more secure than that of any other Arab chief of state, he has reason to be on guard against Nasr because of the growing influence of the Egyptian military regime among Saudi army officers.

25X1

CONFIDENTIAL

~~SECRET~~

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

24 January 1957

INDONESIA Page 2

President Sukarno's intention to set up an all-powerful "advisory council" has caused the Nahdlatul Ulama to reverse its plan to withdraw from the cabinet. This large Moslem party and other parties participating in the government coalition feel that preservation of the Ali cabinet is essential to resist Sukarno's threat to their existence. Sukarno, the political parties, and the army are likely to engage in intense bargaining. Major army elements probably will support the president's efforts to form the advisory council and curtail party power but will join most of the parties in resisting his proposal for Communist participation in the council.

25X1

CYPRUS Page 3

Athens now is reported ready to accept a UN General Assembly resolution establishing a commission to investigate the Cyprus problem, but Britain and Turkey may oppose such a move. The Cyprus question is scheduled for discussion in the UN in early February. Greece may ultimately feel that its best course is to support a proposed Indian resolution for an independent and demilitarized Cyprus under UN auspices--a resolution which Britain and Turkey would certainly oppose.

25X1

CHOU EN-LAI CONCLUDES MISSION TO MOSCOW Page 4

The Sino-Soviet communiqué issued in Moscow on 18 January adds to the evidence that Chou's principal mission there and in Eastern Europe was to help develop a common strategy aimed at halting deterioration of intrabloc relations. His immediate task was to act as moderator between the Soviet Union and Poland, where bloc ties are under the greatest strain. Chou's prominent role in these negotiations is a further indication of China's growing stature in the Sino-Soviet bloc.

25X1

POLISH ELECTIONS Page 5

The Polish people gave overwhelming support to Wladislaw Gomulka in the parliamentary elections on 20 January, apparently accepting his argument that "to cross out Communist candidates is to cross Poland off the map of the European states." The support Gomulka received probably exceeded regime expectations and would seem to give him the strength needed to consolidate his position within the party and to neutralize disruptive elements, particularly the pro-Soviet Natolin faction.

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

24 January 1957

HUNGARIAN REGIME PUSHES PROGRAM TO EXTEND CONTROL Page 6

The Kadar regime in Hungary has instituted a program of placing government "commissioners" in top management spots in factories, in youth and cultural organizations and in charge of the affairs of writers and intellectuals. This is part of an effort by the regime and the Soviet Union to wear the population down and to convince the people that further resistance is both futile and dangerous.

25X1

AUSTRIA'S REFUGEE PROBLEMS Page 7

The Vienna government, which has been facing a mounting refugee burden for more than a year, is showing increased concern over the financial and political problem of coping with the 70,000 refugees who remain in Austria of the 170,000 who fled there as a result of the Hungarian revolt. There is growing unrest among these refugees, who are the target of a stepped-up repatriation campaign.

25X1

THE NEW SOVIET ECONOMIC AGREEMENTS WITH THE SATELLITES Page 8

The agreements of the Soviet Union with its European Satellites in 1956 and with East Germany early in 1957 will cost Moscow an estimated \$900,000,000 in 1957, and about \$600,000,000 in 1958. The added cost to the USSR of these agreements is small in terms of Soviet gross national product, estimated at \$155 billion in 1956.

25X1

ECONOMIC OUTLOOK IN NORTH VIETNAM Page 9

After two years of bad crops, the good harvest in North Vietnam in 1956 will ease the considerable economic problems which have beset the Hanoi regime and improve its chances of reducing the widespread disaffection in the countryside.

25X1

FINLAND'S ECONOMIC DIFFICULTIES Page 10

Finnish premier Fagerholm's visit to the USSR starting on 30 January comes at a time when Finland's export industries are in increasing trouble and its reserves of Western currencies have declined 25 percent. Inflation, reflected in an 18-percent price rise during 1956, has put Fagerholm's weak coalition government under considerable domestic political pressure. A recent cut in coal commitments from Poland and oil commitments from Rumania threatens to make Finland's economic situation even more serious.

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

24 January 1957

JAPANESE SOCIALISTS MOVE LEFT Page 11

The Japanese Socialist Party moved further toward the left during its 17-19 January national convention. Extremists gained greater control of top posts and exerted a dominant influence in formulating the party policy for 1957. Intraparty friction has erupted into the most serious dispute since the Right and Left Socialists merged to form the party in October 1955, and an open split is possible. [redacted]

25X1

DETERIORATION IN SOUTH KOREAN ARMED FORCES Page 12

Draft evasion on a mass scale, a sharp increase in desertions, and corruption and political factionalism are undermining the morale and effectiveness of the South Korean army. Continued deterioration could seriously impair its fighting capability. [redacted]

25X1

NICARAGUAN NATIONAL ELECTIONS Page 13

The Nicaraguan presidential and congressional elections of 3 February will be carefully controlled by the government to ensure the election of President Luis Somoza for a full six-year term in the presidency. Opposition elements are boycotting the election, many in the belief that revolution is the only way to remove the Somoza regime. There is no evidence, however, of plans for a revolutionary attempt before the election. [redacted]

25X1

EURATOM AND THE COMMON MARKET Page 14

Prospects are fair that the 26-27 January meeting of the foreign ministers of Belgium, France, West Germany, Italy, Luxembourg and the Netherlands will give the EURATOM and common market treaties their finishing touches, with signing and ratification debates following a few weeks thereafter. The increasingly friendly attitude of Britain toward the proposals is proving particularly helpful in the final negotiations. [redacted]

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

24 January 1957

PART III

PATTERNS AND PERSPECTIVES

INDIAN NATIONAL ELECTION PROSPECTS Page 1

Prospects for the Indian national elections beginning in late February are that Prime Minister Nehru's Congress Party will retain control of the national parliament and of the governments of all states, except possibly Kerala. The Congress Party seems likely to obtain less than the 45 percent of the popular vote it won in India's first national elections in 1952, however, and to have a weaker hold both in parliament and at the state level than at present. If the present trend toward increasing unity among both rightist and leftist elements in the opposition continues, the Congress will face a stiff fight in several states and may be forced to agree to some coalition governments.

[Redacted]

25X1

COLONIAL ISSUES IN THE 11TH UN GENERAL ASSEMBLY Page 5

Besides the headlined disputes on Algeria, Cyprus and West New Guinea, the 11th UN General Assembly will consider a large number of items on trusteeship and non-self-governing territories generally--items which collectively do much to determine the attitudes of Asian, African and Latin American members on other issues involving the Western European countries. The accession of 20 new UN members since last year has further weakened the position of the Western powers in their attempts to limit the extent to which the UN concerns itself with their territories.

[Redacted]

25X1

SOVIET INTELLECTUALS IN CULTURAL FERMENT Page 8

Relaxation of police terror in the USSR and attacks on the Stalin myth have stimulated outspoken demands for greater cultural freedom and heated controversies over Soviet cultural principles. Soviet belles-lettres have given greater weight to human values, and have treated the evils of bureaucracy as representative products of the Soviet social system. Increasing numbers of Soviet intellectuals are showing remarkable unanimity in striving for further liberalization of controls over creative activity which the regime is probably unwilling to grant.

[Redacted]

25X1

SECRET

v

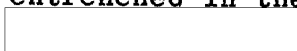
SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

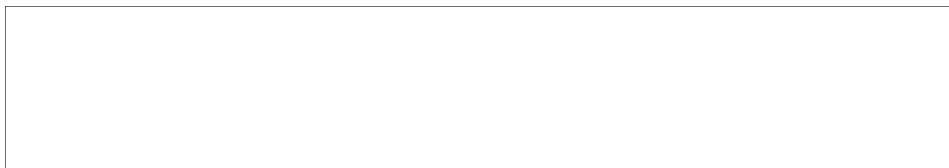
24 January 1957

POLITICAL SITUATION ON TAIWAN Page 11

The political situation on Taiwan remains fairly stable, but disillusionment concerning prospects for regaining the mainland and dissatisfaction among the native Taiwanese are potential threats to the Chinese Nationalist government. Within the Kuomintang, moderate and authoritarian elements continue to compete for secondary power under Chiang Kai-shek. Although Vice President Chen Cheng would probably succeed to the presidency in the event of Chiang's death, the second most powerful person on the island is the generalissimo's elder son, Chiang Ching-kuo, who is today strongly entrenched in the Nationalist security services.



25X1



25X1

SECRET

vi

THE WEEK IN BRIEF

CONFIDENTIAL
~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

24 January 1957

PART I

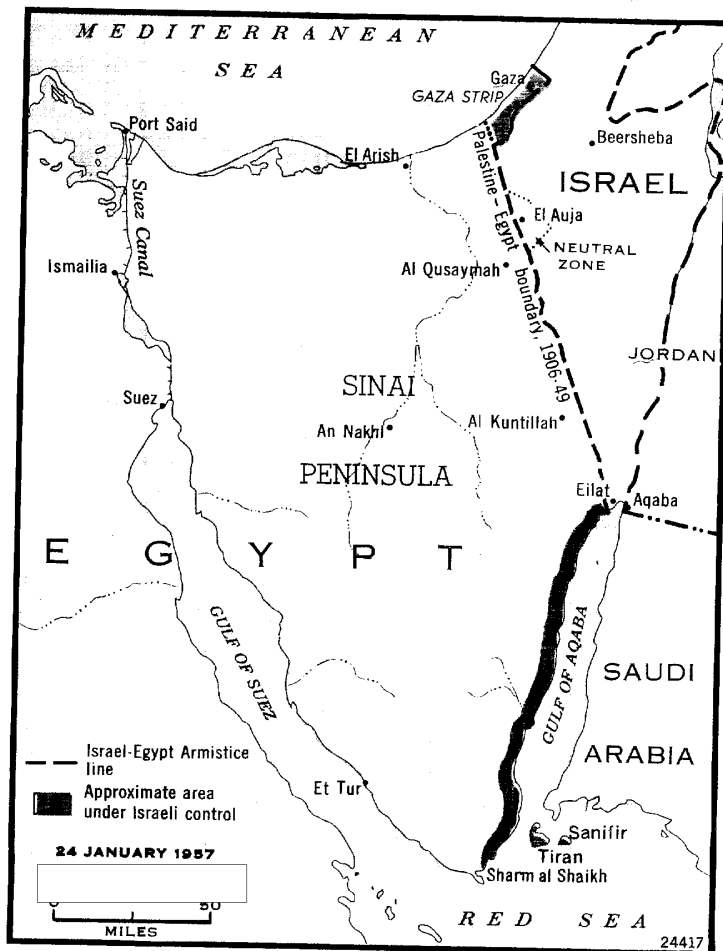
OF IMMEDIATE INTEREST

MIDDLE EAST DEVELOPMENTS

With the UN secretary general scheduled to report again on the progress of Israel's evacuation, the Israeli public appears to accept as inevitable another condemnation by the UN and even the application of economic sanctions by UN members against Israel. The official stand was set forth by Prime Minister Ben-Gurion on 23 January that a further retreat from Gaza or Sharm al Shaikh and its supply line is

impossible without ironclad guarantees for Israel's security and free access to the Gulf of Aqaba.

The Israeli offer to withdraw its "military forces" from Gaza while retaining a civil administration there with "police" powers was played up by Israel as a concession. However, a UN official stated that in talks preceding the formal offer, the Israelis made



CONFIDENTIAL
~~SECRET~~

PART I

OF IMMEDIATE INTEREST

25X1

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

24 January 1957

it clear they intend to "annex" the territory. Prime Minister Ben-Gurion had indicated even earlier that any proposal for UN participation in the government of the strip would be made merely to try to satisfy world opinion.

The Jerusalem Post, which frequently speaks for the Foreign Ministry, was quoted by the Israeli radio last week as seeing the country in the throes of cutting loose from an "undefined but extremely far-reaching reliance on the benevolent friendship of the United States and on the support of the United Nations." The newspaper said this action would be an assertion of Israel's "economic independence," for which Israelis might be "as grateful a decade hence... as we are for our political independence today."

The Egyptian position has continued to harden. Speculation that the UN Emergency Force might be transformed into an army of "occupation" on Egyptian territory was noted by the officially guided Cairo press, which insists that the UN force's sole purpose is to secure the complete withdrawal of the Israelis. Indian UN delegate Krishna Menon reportedly threatened that Indian troops would be taken out of the force if its functions are interpreted more broadly.

These observations are indicative that the original Egyptian suspicions concerning the object and use of the UNEF have been reawakened, and Cairo is probably preparing for the

time when it may demand the evacuation of this force as well.

Nasr's diplomatic hand was strengthened last week by the "solidarity agreement" concluded among Egypt, Syria, Saudi Arabia and Jordan. While this agreement ostensibly provides for Arab aid to replace the British subsidy to Jordan's army, it appears in fact to be primarily a political gesture signifying Arab confidence in Nasr's leadership.

Neither Egypt nor Syria has cash resources to contribute, [redacted]

25X1
25X1

[redacted] The test for additional meaning in the agreement will come after 31 March, when, according to the British ambassador in Amman, Britain intends to halt subsidy payments. Presumably the Anglo-Jordanian treaty will have been terminated by that date; Jordan's prime minister has announced negotiations to that end will be opened next month, and the Jordanian parliament has already unanimously ratified the new Arab agreement.

25X1

Nasr's growing intransigence may also be founded in part on assurances of Soviet economic support. [redacted]

25X1

[redacted] it does appear likely that the USSR will increase economic support while continuing to ship arms to Egypt. [redacted]

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

24 January 1957

TENSION OVER ALGERIA

The opening of the UN discussion of the Algerian problem is expected to signal the start of a Moslem general strike in Algeria and perhaps a co-ordinated rebel military offensive as well. Europeans and Moslems, both considering the American position the critical factor in the political committee discussions, are publicly playing up this theme --probably in order to blame the United States for any unfavorable developments. In France, there are fears that a settler uprising in Algeria could jeopardize the Fourth Republic.

The National Liberation Front (FLN) has reiterated its call for a Moslem general strike coincident with the UN debate and threatened reprisals against shopkeepers who are swayed by the French counter-threat to break open any Moslem shops which close.

In an effort to forestall the strike or minimize its effects, the French authorities in Algiers are making a strong show of military force, giving the city the appearance of an armed camp. Both Europeans and Moslems have been reported stocking provisions.

The rebels reportedly also plan to launch their largest military offensive to date

when the UN debate starts. Such action co-ordinated with an effective general strike would probably provoke the European community into taking direct steps against the Moslems.

In Paris, there has been a relaxation of fears over the outcome of the UN debate. At the outset, the French delegation proposes to make a statement denying UN competence, to attack vigorously interference in Algeria by other countries, particularly the USSR and Egypt, and to show the progress being made by the Algerians under the French. The French discount the possibility of a resolution critical of French policy but will walk out of the UN if the assembly asserts its competence on the question.

The growing danger of a European settler uprising in Algeria is also causing concern. The Mollet government has doubts as to whether the French army in Algeria would act against such an uprising. Ambassador Dillon believes that the Fourth Republic would be endangered if Paris is unable to control the armed forces in the event of an uprising.

Dillon fears that right-wing groups may attempt to overthrow the regime if the Algerian situation "goes very sour."

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

24 January 1957

KASHMIR ISSUE

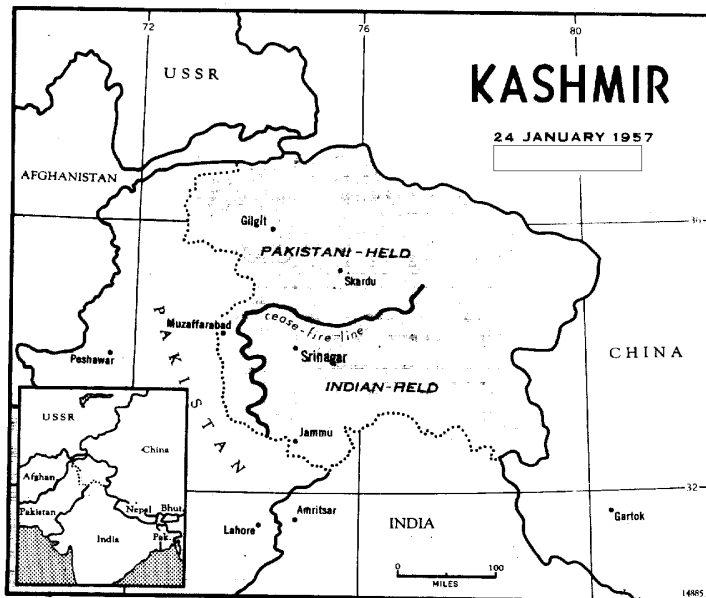
Tension is building up in India and Pakistan over Kashmir while the UN Security Council debates the future of the disputed state. No significant troop movements by either country have been confirmed, and violence appears unlikely as long as the UN remains actively interested in the problem. However, the dispute continues to pose a long-term threat to the peace and stability of South Asia.

Pakistan, in presenting its case on 16 January, stressed the need for prompt action by the Security Council on the grounds that the Kashmir state constitution which is to be promulgated on 26 January makes the state an integral part of India in defiance of a UN resolution denying the state assembly the power to determine the disposition of the state. Pakistani foreign minister Noon also called for the introduction of a UN force into Kashmir and the implementation of the long-standing UN plebiscite agreement.

India has made it clear that the latter proposals are completely unacceptable. New Delhi is also attempting to undercut the Pakistani argument for swift UN action by insisting that the provisions of the new Kashmir constitution concerning the relationship of the state to India actually went into

effect on 17 November 1956, and that the integration of Kashmir was legally completed even earlier, in a presidential proclamation of 14 May 1954. Prime Minister Nehru told the American chargé on 20 January that the question was settled in 1947 when the maharaja of the state decided to join India, and that even the 17 November 1956 date was merely the completion of the legal formalities.

While the UN is attempting to unscramble the legal tangle, 25X1 New Delhi and Karachi are exchanging charges of aggressive intentions.



25X1

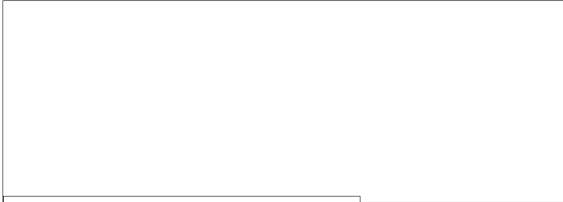
SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

24 January 1957

25X1



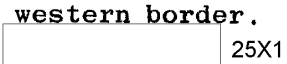
25X1

[redacted] the lack of any indication of major troop movements suggests that an armed clash is unlikely at the moment. Pakistan has reportedly obtained considerable support for its UN proposals, both from Security Council and General Assembly members, and will probably be satisfied for the time being with no more than reaffirmation of the plebiscite principle and another denial of the Kashmir state assembly's right to determine the future of the state.

However, the present Pakistani government, in asking for a UN force and offering to withdraw its troops, has deeply committed its prestige to finding a satisfactory solution

to the Kashmir problem. Should it become evident after several months that no such solution is forthcoming, Karachi may eventually allow militant tribal and Kashmiri refugee elements the free hand they have been demanding.

Soviet support of the Indian position, Pakistani demands for unequivocal American support, and intensified competition between both countries for Chinese Communist backing make the situation potentially inflammable. Additionally, Pakistan's frustration over the UN's inability to prevent India's complete de facto integration of the state is intensified by the fear that any outbreak of hostilities on the Kashmir border might tempt Afghanistan to begin large-scale armed agitation on behalf of Pushtoonistan on Pakistan's western border.



25X1

* * *

SECRET

CONFIDENTIAL

CURRENT INTELLIGENCE WEEKLY SUMMARY

24 January 1957

PART II

NOTES AND COMMENTS

KING SAUD'S PROBLEMS

King Saud, who arrives in the United States on 29 January, is the absolute ruler of over 6,500,000 subjects in the Kingdom of Saudi Arabia. Although his position is relatively more secure than that of any other Arab chief of state, he belongs to an old order that is passing. Saud sees himself increasingly as the senior statesman of Islam and in his dynasty's puritanical Wahhabi sect has a conservative institution to resist the revolutionary republican nationalism of Nasr's Egypt.

Opposition from Saud's brothers, which many observers had expected following his succession to the throne in 1953, has not developed. A longer term threat to the Saudi monarchy comes from groups influenced by modern social and political ideas from abroad--especially the Saudi military and the new social class of oil workers and coastal merchants antagonistic to the puritanical Saudi dynasty from the interior.

The general Arab inability to accept the state of Israel constitutes one of Saud's main international problems. In at least two respects, Saud is likely to become more directly involved with Israel. A Saudi infantry brigade of about 2,100 men was deployed in Jordan near the Jordan River in late 1956. Additionally the two islands at the entrance to the Gulf of Aqaba, although garrisoned by Egyptians at the start of the Sinai fighting, are actually Saudi islands. They have been controlled by Israeli forces

since November, and the Saudis have charged that Israeli aircraft and naval craft have fired on and otherwise harassed the ill-armed Saudi garrisons on the eastern shore of the entrance to the Gulf of Aqaba.

Relations with Britain were fairly good under Saud's father, but have deteriorated since 1953. British ejection of Saudi authorities from the disputed Buraimi Oasis in late 1955 remains a major unsettled issue--representative of the whole problem of undefined frontiers between Saudi Arabia and British-protected coastal shiekdoms.



KING SAUD

25X1
25X1

25X1

Although the agreement for use by the United States of Dhahran airfield expired in June 1956, King Saud has, as a "gesture of friendship," extended it pending a new settlement.

Saud is also continuing to press the United States for military assistance and for permission to purchase further military equipment. He has reiterated that he needs agreement

CONFIDENTIAL

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

24 January 1957

to demonstrate to his people the correctness of his refusal to deal with the USSR, in the face of growing Egyptian influence among his officers,

Egyptian president Nasr

[redacted] has failed to consult Saud on many important moves affecting Saudi interests--most notably the nationalization of the Suez Canal. Saud has reason to fear Nasr, both for Egypt's rash actions and for the threat the example of a revolutionary regime poses to Saud's own absolute position.

Since the Anglo-French attack on Egypt, Saud has moved to broaden his country's international contacts and thus obtain greater leverage in international negotiations. West German influence is increasing. Saud has stood firm, however, against accepting Soviet bloc diplomatic representation or arms offers. [redacted]

25X6
25X6

INDONESIA

The Nahdlatul Ulama (NU), a large Moslem party which is the key to the survival of the Indonesian cabinet, has reversed its decision to withdraw from the cabinet. The NU and small parties which were following its lead now feel that the preservation of the Ali cabinet is essential to resist President Sukarno in his intention to set up an "advisory council." The council, under Sukarno's personal leadership, would be the most powerful organ in the Indonesian government and would severely curtail the powers of the political parties, the cabinet, and parliament.

Intense bargaining among the nation's three major political factors--Sukarno, the political parties, and the army--appears likely. Sukarno can probably count on major army elements for support in forming the council and reducing the power of the parties, but the army can be expected to join most of the parties in resisting the president's proposal for Communist participation in the council.

Army support is essential for the success of Sukarno's plan. Chief of staff General Nasution, in an effort to assess his subordinates' loyalty to himself and to Sukarno, has been holding conferences with those Sumatran commanders who are willing to see him and with commanders in other outlying areas. According to the Djakarta press, he has gone to Central Sumatra for talks with the dissident commanders, Colonel Simbolon and Lt. Col. Hussein.

Prime Minister Ali of the National Party went before parliament on 21 January to explain his handling of the bloodless revolts in Sumatra. Parliament may take a vote of confidence on 7 or 8 February, and if there are no further withdrawals from the cabinet, Ali should win the vote and stay in office.

No solution to the military and political problems in the three Sumatran provinces appears in sight. The prestige of Colonel Simbolon, rebel leader and former territorial commander in North Sumatra,

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

24 January 1957

appears to be rising, and Lt. Col. Hussein shows no indication of relinquishing control in Central Sumatra. South Sumatra reportedly declared its provincial autonomy on 20 January.

and set up a government council composed of "army officers, war veterans, and business leaders," thereby formalizing its earlier de facto break with Djakarta.

25X1

CYPRUS

The Greek government now appears to believe that the best it can expect from the forthcoming Cyprus debate in the UN is some mechanism which will keep its appeal alive. The Cyprus question is scheduled for discussion early in February, upon completion of debate on Algeria. Prime Minister Karamanlis and Foreign Minister Averoff say they will accept a resolution of the General Assembly establishing a UN commission to investigate the problem.

Such a resolution may be opposed by Turkey, which fears Soviet participation in any UN involvement over Cyprus and now favors partitioning the island. Britain, whose policy is based on eliminating Cypriot resistance and instituting the Radcliffe constitutional program, may also oppose a UN resolution. Greece may ultimately feel obliged to support a proposed Indian resolution for an independent and demilitarized Cyprus under UN auspices--a resolution which Britain and Turkey would certainly oppose.

The Greek government is seeking to prepare public opinion for some compromise on Cyprus in the UN. Averoff has told American ambassador Allen that official talk of insisting

on self-determination for Cyprus is purely for local consumption. Greek opposition leaders of all political shades have based their plans on a clear Greek defeat in the UN and the resulting overthrow of Karamanlis.

Britain and Turkey would probably not be concerned over Karamanlis' replacement by an unstable coalition government. Some British officials have long expressed dissatisfaction with the present regime, and Ambassador Warren reports from Ankara that the Turks are "deeply disgusted" with it. Although the British say they hope for a moderate debate in the UN without any substantive resolution, they appear determined "to hit the Greeks as hard if not harder than the Greeks hit them."

Ankara "has its heart set" on the partition of Cyprus, in the belief that only this solution would not raise more problems than it solves. It fears that any postponement of a definitive solution would accelerate the drift toward enosis--the union of Cyprus with Greece. London apparently believes Ankara would oppose the Radcliffe proposals if Athens accepted them, believing that they could be used to place Cyprus on the "slippery slope" to enosis.

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

24 January 1957

CHOU EN-LAI CONCLUDES MISSION TO MOSCOW

The Sino-Soviet communiqué issued in Moscow on 18 January adds to the evidence that Chou's principal mission there and in Eastern Europe was to help work out a common strategy aimed at halting deterioration of intrabloc relations. His immediate task was to act as moderator between the Soviet Union and Poland, where bloc ties are under the greatest strain. Chou's prominent role in these negotiations is a further indication of China's growing stature in the Sino-Soviet bloc.

Earlier, Chinese comment on unrest in the Satellites had indicated that Chou would privately urge the Kremlin not to push Gomulka further toward Titoism by premature or unnecessary harshness, while advising the Polish leaders to move closer to the Soviet Union. Accordingly, the Sino-Soviet communiqué reflected previous Chinese admonitions to the USSR to avoid "chauvinism," and the Sino-Polish communiqué professed Gomulka's fidelity to "proletarian internationalism" and the "basic principles of Marxism-Leninism"--concepts which were not included in the Soviet-Polish statement of mid-November.

The Moscow communiqué contained the recently elaborated Chinese formula for the achievement of "unity" through genuine consultation among bloc states. There may, however, prove to be disagreement between Moscow and Peiping in applying the formula to intrabloc relations.

In Peiping's view, the bloc should be made up of willing allies, each ruled by native Communist leaders, following the Soviet model on domestic policies as closely as local

conditions permit, and adhering firmly to the Sino-Soviet line in foreign affairs.

The Chinese had previously indicated that their support for Poland's freedom from Russian control was contingent on Gomulka's ability and willingness, first, to keep Poland inside the bloc; and second, to move toward an orthodox Communist domestic program.

The failure of either communiqué to reiterate the second requirement does not constitute endorsement of Polish deviations, but seems instead to indicate a Sino-Soviet estimate that the Gomulka regime is the least of possible evils in Poland at this time and must therefore be granted a period of probation to work out its problems. There may be some difference between Moscow and Peiping on this point, as the Chinese have publicly demonstrated more friendliness toward Gomulka than the Russians have and may be somewhat more willing to allow him latitude for experiment in his domestic program.

Moscow and Peiping have left no doubt that they stand together solidly on the vital importance of bloc unity at this time against the West. The Moscow communiqué contained an indirect warning that an attempt by any state to leave the bloc would be met by military intervention. A Pravda editorial on 20 January made the threat explicit.

The Chinese have taken care to reaffirm their recognition of Soviet primacy within the bloc. At the same time Peiping's stature in the alliance has grown during recent

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

24 January 1957

weeks. Soviet leaders have at least formally accepted the Chinese Communist criticism of Stalinist policies in Eastern Europe, and have welcomed Chinese efforts to help them out.

Resuming his South Asian tour, Chou arrived in Afghanistan on 19 January. He arrived in New Delhi on 24 January en route to Nepal and is to be in Ceylon a week later.

25X1

POLISH ELECTIONS

The Polish people gave overwhelming support to Wladislaw Gomulka in the parliamentary elections on 20 January, apparently accepting his argument that "to cross out Communist candidates is to cross Poland off the map of the European states." The support Gomulka received probably exceeded regime expectations and would seem to give him the strength needed to consolidate his position within the party and to neutralize disruptive elements, particularly the pro-Soviet Natolin faction.

Much of the party rank and file, who have remained largely uncommitted, will probably now swing into line behind Gomulka's leadership.

Press reports that the party congress has been postponed from late March or early April until next year indicate that consolidation of the party will be a long arduous task despite Gomulka's new strength.

Over 70 percent of the voters heeded Gomulka's last-minute plea to vote the straight ticket without deleting the names of candidates favored by the regime, with the result that the composition of the Sejm will be as originally planned: 51.5 percent will be Communist Party representatives, 33.9

percent will represent the two collaborating front parties and the remaining 14.6 percent will be nonparty and Catholic delegates.

All of the party leaders and other individuals of significance who were candidates were elected. In many cases, these candidates failed to receive as many votes as some lesser known figures, but in no case did a prominent candidate fail to make the grade. In only one minor case did a candidate favored by the regime not obtain the required 50 percent of the votes.

The prevailing popular attitude apparently was that only the Russians stood to gain if the elections were boycotted. The large turnout was also due to efforts of the Catholic Church, whose support for Gomulka greatly aided his cause. Personal visits by regime activists to those who had failed to register injected the only form of intimidation noted in the elections.

The regime can be expected to play on the theme of popular support in its bid for credit from the West. A Warsaw paper, on the eve of the elections, stated that strong support for the regime would increase the possibility of American aid and credits from other capitalist countries.

Reflecting their long experience with regimentation, few

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

24 January 1957

of the electorate other than students took advantage of the opportunity to cast their ballot secretly, although the election law theoretically made this mandatory.

The elections themselves were orderly and quiet. Worker

and student militia were in evidence at polling places to assist regular police forces if necessary, but no significant unrest was reported, even in the troublesome Lublin area, where antiregime agitation has been especially strong.

25X1

HUNGARIAN REGIME PUSHES PROGRAM TO EXTEND CONTROL

The Kadar regime in Hungary has instituted a program, under the economic, interior and armed forces ministries, of placing government "commissioners" in top management spots in the factories, in youth and cultural organizations, and in charge of the affairs of writers and intellectuals.

Resorting in some cases to the dissolution of some organizations such as the Writers' Union, the regime has also arrested key troublemakers as well as virtually anyone who has continued to exhibit an independent attitude. Kadar has warned state prosecutors that he will not tolerate their "liberalism" toward arrested "enemies," an apparent response to the protest of 30 chief prosecutors who openly opposed the recent extension of martial law. Kadar, who complained on 16 January that the Communist daily was illustrating articles on Communist theory with pictures of "half-naked dancers," has warned that such Westernized concepts are "unworthy" and must cease.

The regime is also continuing to take action against "anti-state" and "counterrevolutionary" activities. Several leaders of the uprising have been tried, convicted and executed

during the past week, but reports that ex-premier Nagy's defense minister, General Pal Maleter, a hero of the fighting in Budapest, has been sentenced to die apparently are not true.

25X1

The regime is adopting various expedients to prevent mass unemployment from completely demoralizing the workers. Aware that some restive workers were accusing the regime of deliberately fostering mass unemployment, the government has attempted to cut down on the number of jobless by shortening work hours, thus permitting the retention of more workers on the job, although at reduced wages.

The regime and the USSR seem to be engaged in a process designed to wear the population down, and convince it of the danger and futility of further resistance. At the same time, by strongly reasserting the tenets of the "proletarian dictatorship" and stressing close ties with Moscow--simultaneously purging the party and front groups of Nagyists and nationalists--they hope to build a disciplined party machine along traditional, Moscow-oriented lines.

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

24 January 1957

AUSTRIA'S REFUGEE PROBLEMS

Vienna is increasingly apprehensive over the magnitude of the refugee burden resulting from unrest in the Soviet Satellites. Austrian demands for foreign assistance have become progressively more strident, and while there is as yet no evidence of any weakening of official or popular resolve to grant unlimited asylum, there is some likelihood of this eventually occurring.

The unexpected problems brought on by the Hungarian revolt are in addition to those posed by the "normal" flow of refugees from Austria's Communist neighbors--Yugoslavia in particular--which, before October, had already exceeded the 1,000-a-month rate. Since then, about 170,000 Hungarians have crossed Austria's eastern frontiers. Nearly 100,000 of these have been moved elsewhere, but the continued influx and the gradual exhaustion of refugee quotas set up by other countries leave Austria with the prospect of having to accept on a more or less permanent basis some 70,000 to 100,000 destitute expatriates.

The financial problem is particularly serious. While the economy is relatively prosperous, the budget situation is tight. In a statement to the cabinet on 15 January, Minister of the Interior Helmer declared that, despite generous aid from other countries, the UN, and the Red Cross, Austria has borne thus far a disproportionate share of the refugee costs and the government

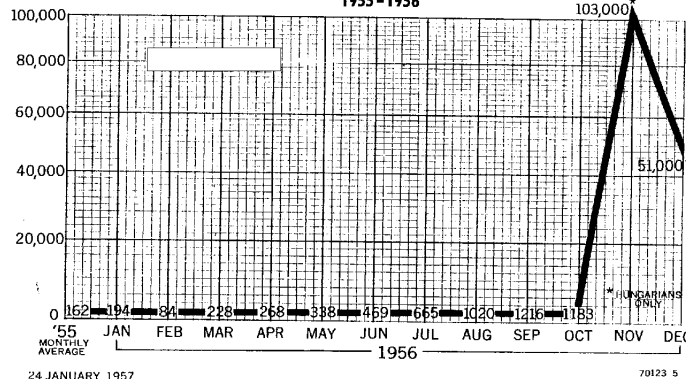
is now at the "limit of its resources."

From a long-range economic point of view, the government has been remiss from the beginning in failing to devise plans to integrate refugees into the population. The economically productive elements, which are most attractive to other countries, have tended therefore to emigrate elsewhere.

The government is worried about such a large foreign element remaining in the country for any long period. This concern was reflected in Helmer's recent plea to the Intergovernmental Committee on European Migration to accelerate the movement of Hungarians out of Austria.

There is growing unrest in refugee camps, possibly fomented by Hungarian Communist provocateurs. Recent Budapest charges of "mistreatment" of refugees moreover are the beginning of a campaign to reclaim expatriates. The Kadar government stated on 29 November that criminal proceedings would not be instituted against those who illegally crossed the country's borders

REFUGEE INFLUX FROM COMMUNIST COUNTRIES INTO AUSTRIA
1955-1956



25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

24 January 1957

between 23 October and that date if they voluntarily return to Hungary before 31 March 1957.

Vienna may have some difficulty in keeping the new Hungarian repatriation mission within bounds. Anticipating

that Austrian restrictions on such a campaign may bring new Communist charges that Austria is not neutral, Helmer has taken the precaution of warning refugees that "political activities" on their part might lead to forfeiture of individual asylum rights.

25X1

THE NEW SOVIET ECONOMIC AGREEMENTS WITH THE SATELLITES

The agreements which the Soviet Union entered into with its European Satellites in 1956 and with East Germany early in 1957 will cost Moscow an estimated \$900,000,000 in 1957. The Soviet Union's imports from the Eastern European Satellites will decrease by \$285,000,000 over 1956 and exports will increase by \$627,000,000 over 1956 under these agreements. In comparison with the USSR's total foreign trade of \$3 billion each way annually, imports will decline by about 10 percent and exports will rise by 20 percent.

About one half of the total \$900,000,000 cost is accounted for by reduction of occupation costs assessed on East Germany and cancellation of Polish and Rumanian debts. Although collection of these debts may have been impractical in any case in view of the Satellites' continuing economic difficulties, their cancellation results in reduced imports by the USSR, since payments were to be made in goods.

The remaining half of the cost to the USSR is in loan commitments to the Satellites negotiated in 1956 and early 1957

and will result in increased Soviet exports to fulfill the agreements prior to repayment by the Satellites. Although the maximum impact of the 1956 Soviet commitment will occur in 1957, the agreements will cost the USSR about \$600,000,000 in 1958.

While the cost of Moscow's commitments is less than one percent of the Soviet gross national product, it is over three and a half times Moscow's existing annual aid commitments to underdeveloped areas, estimated at about \$250,000,000 in 1957, including deliveries of arms.

<u>Recipient</u>	<u>Amount</u>	<u>To Be Drawn On</u>	<u>To Be Repaid</u>
Bulgaria	\$32,500,000	1956-59	10 years/2%
East Germany	Estimated at \$440,000,000	1957-60	10 years
Hungary	\$4,000,000 (oil and coke)	1957	Hungarian goods in 1957
	\$10,000,000 (foreign exchange)	1957	1960-65/2%
	\$15,000,000 (raw materials)	1957	1960-65/2%
	\$50,000,000 (hard currency)	1957	No terms known
Poland	\$25,000,000 (goods & gold)	1956	1957-60/2% (now canceled)
	\$175,000,000 (goods)	1958-59	1963-65
	\$100,000,000 (grain)	1957	1961-62
Rumania	\$33,000,000 (wheat)	1957	1959-61
	\$3,300,000 (fodder)	1957	1959-61
	\$67,500,000 (industrial credit)	Possibly 1957	10 years (from drawing)

24 JANUARY 1957

70123 2

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

24 January 1957

25X1

MILLIONS OF DOLLARS	
Polish debt cancellation	60
Rumanian debt cancellation	80
Foreign Exchange Transfer (minimum)	
Hungary	60
East Germany	85
	<u>285</u>
Bulgarian loan	23
East German agreement	25
Hungarian loans	15
Polish loans	100
Rumanian loans (maximum)	104
East German Occupation Cost Adjustment	360
	<u>627</u>
Total	<u>912</u>

24 JANUARY 1957

70123 2

Effect on USSR

The added cost to the USSR of the recent agreements equals only about 5 percent of planned 1956 investments in the USSR. The Eastern European aid program will not, however, require a 5-percent reduction in 1957 investment--or a comparable cut in other priority parts of the Soviet economy--since much of the obligation to the Satellites is in the form of food grains,

presently a storage problem in the USSR because of the record 1956 harvest, and hard currencies, available to the Soviet Union at small additional real cost through gold sales to the West.

Consequently, present Eastern European commitments will not prove an economic bar to Soviet foreign economic programs in the Middle East and Asia. Complete assumption of even such a major project as the Aswan Dam, probably the largest single request received by the USSR, would require not more than 2 to 3 percent of the 1955 Soviet output of cement and steel and furthermore would be spread over at least a 10-year period.

The maximum effect of the recently assumed commitments to Eastern Europe and of foreseeable added requirements at home and abroad is a temporary decline of less than 1 percent in the rate of Soviet economic growth. [redacted]
(Prepared by ORR)

25X1

ECONOMIC OUTLOOK IN NORTH VIETNAM

After two bad years, a good crop was harvested in North Viet Vietnam in 1956. Together with other advances in the North Vietnamese economy, the good harvest will ease the considerable economic problems which have beset the Hanoi regime and improve its chances for reducing the widespread disaffection in the countryside.

Economic plans for 1957, specific targets for which have not been released, place emphasis first on increased agricultural production, second on light industry. Scant mention is made of heavy industry.

Rehabilitation of the economy, which was devastated in the Indochinese fighting, is to be completed in 1957.

According to Hanoi's preliminary estimates, production of paddy and other crops in 1956 was slightly above the prewar peak. Even if the claim is not exaggerated, North Vietnam would still need to import food. In the past two years, these imports have come primarily from Burma, and have been paid for by the Soviet Union.

The 1956 increases in agricultural output were achieved

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

24 January 1957

despite the demonstrably disruptive effects of the land reform program. This first step toward the eventual socialization of agriculture was "basically completed" during the year. Some progress was also made on the second step--the introduction of mutual aid teams, groups of individual peasants banded together to help each other.

Progress has also been made in other sectors of the economy. Developments in transportation and communication were largely made possible by the 1955 Chinese Communist grant of \$325,000,000. Scheduled air service between China and North Vietnam was begun early in 1956. North Vietnam is re-establishing port facilities at Haiphong and Campha, near Hongay, with the aid of harbor equipment supplied by the USSR, Poland and China in 1956.

Rehabilitation of the large Hongay anthracite mines enabled Viet Minh coal production to reach about 1,000,000 tons in 1956 as compared with about 2,600,000 tons before the war.

Exports of coal rose from about 300,000 tons in 1955 to 600,000 tons in 1956. Shipments to China probably amounted to about 60,000 tons while those to Japan, Hong Kong and France accounted for most of the remainder. Bloc deliveries of modern mining equipment will enable North Vietnam to exploit its coal deposits further. Cement production reached over 300,000 tons, of which about 60,000 tons were exported to China.

Despite these achievements, the Hanoi regime admits being faced with a number of economic difficulties, in addition to the continuing need to import food. The regime has admitted that discontent has been caused by mistakes made during the land reform program, high tax rates, both rural and urban, and shortages of consumer goods. The regime has condemned the failure of local cadres to generate sufficient production enthusiasm in handicraft and subsidiary family occupations and among private industrialists and traders.
(Prepared by ORR)

25X1

FINLAND'S ECONOMIC DIFFICULTIES

Finland's growing economic problems leave it vulnerable to possible Soviet proposals on the occasion of Prime Minister Fagerholm's visit to the USSR starting 30 January. The inclusion of Minister of Trade and Industry Kleemola in the delegation suggests Finland's readiness to engage in general economic discussions.

Kleemola's presence could also be accounted for by Finland's perennial hope of obtaining some concessions regarding the lower half of the Saimaa Canal and adjacent territory. This canal was formerly an important transportation link

between Finland's eastern lake system and the Gulf of Finland, but the cession of the port city of Vyborg (Viipuri) and other Karelian territory to the USSR following World War II largely destroyed its economic value to the Finns.

Finland's present economic difficulties stem largely from inflation and a decline in the export of some wood products, which are one of the chief sources of foreign exchange. Domestic prices rose by 18 percent during 1956, and the effort to combat inflation by maintaining a high level of imports, in the face of falling exports,

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

24 January 1957

resulted in a drop of some 25 percent in Finland's holdings of dollars and Western European currencies.

In addition the recent termination of triangular trade arrangements with Poland, East Germany and possibly Czechoslovakia will reduce Finland's previous trade with the bloc. Particularly serious is the reduction in coal commitments from Poland and oil commitments from Rumania. This will force Finland in 1957 to make extraordinary purchases of these commodities from Western sources at an estimated cost of \$45,000,000.

The cutback in bloc commitments, coupled with the steady increase in Finland's petroleum requirements, means that Finland must seek 40 to 50 percent of its oil from Western sources--as contrasted with 20 percent in 1956--at a time when Western European petroleum supplies are being allocated by the Organization for European Economic Co-operation, of which Finland is not a member.

It is not easy to foresee what economic concession--beyond increased oil supplies--the Finns might seek in Moscow. In the fall of 1956, Finland vainly requested a third gold loan from the USSR, which was only willing to grant a ruble credit for the purchase of Soviet-made equipment. This Finland rejected. Presumably, Moscow would be interested only in concessions which would be likely to increase Finland's long-term dependence on the USSR.



25X1

Fagerholm's government--an uneasy coalition of the Social Democratic, Agrarian and Liberal Parties--remains, however, under strong domestic political pressure to make some move to arrest inflation. The government has been unable to end the "escalator" tie-in between industrial wages and farm income, which promotes inflation. The Finnish Confederation of Labor is insisting on full compensation for the workers, and the government may have to resort to devaluation of the currency to keep Finnish export industries competitive.

(Concurred in by ORR) 25X1

JAPANESE SOCIALISTS MOVE LEFT

Developments at the national convention of the Japanese Socialist Party on 17-19 January demonstrated a move

toward the left, as extremists gained control of top posts and exerted a dominant influence in formulating the party policy

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

24 January 1957

for 1957. Intraparty friction has erupted into the most serious dispute since the Right and Left Socialists merged to form the party in October 1955, and an open split is possible.

Five of the seven top officials, including Chairman Mosaburo Suzuki and Secretary General Inejiro Asanuma, were re-elected, but extreme leftists Hiroo Wada and Kanemitsu Hososako replaced more moderate leaders in the key positions of policy board chairman and of Diet policy committee chairman. The leftists also gained a majority on the Central Executive Committee..

The party policy was based on a draft which had been prepared by the left wing and pushed through the policy committee by a vote 41 to 27. The draft included a justification for the Soviet intervention in Hungary, referred to American "oppression" on Okinawa, and called for the breaking of free world ties (a reference to US-Japan security arrangements), recognition of Communist China, repudiation of Nationalist China, and rejection of the American-sponsored program for increasing industrial productivity. Although the pro-Soviet, anti-American phraseology was toned down in the plenary session before the policy was adopted formally,

the sharp shift to the left was unmistakable.

The dispute which erupted between the Socialist right and left involved not only the issue of policy extremes, but more important whether the Socialist Party is to be a class or popular party. The shift to the left is evidence of labor's dominance of the party. The leftists are determined to create a class party oriented around strong left-wing labor union support and including other so-called "economic have-nots." The right wing desires to expand the popular base of the party, particularly to include farmers and small businessmen, in order to win an early parliamentary majority. The left wing believes such a victory impossible.

The Japanese press is in general agreement that an extreme Socialist program would not win popular acceptance outside labor ranks. Within the party, Chairman Suzuki's abandonment of a somewhat middle position in favor of the left-wing attitude has dissatisfied right-wing leaders and an open party split may develop. A Socialist split would reduce the pressures holding conservative factions together.

25X1

DETERIORATION IN SOUTH KOREAN ARMED FORCES

Draft evasion on a mass scale, a sharp increase in desertions, and abundant evidence of graft, corruption and political factionalism are undermining the morale and effectiveness of the South Korean armed forces.

During the past few months, the armed forces have been

attempting to apprehend draft evaders and deserters, believed to total between 19,000 and 25,000 men. The number of defectors to North Korea has also increased. The principal reasons appear to be insufficient food, harsh discipline, unfair furlough policies, unfair administration of the draft and

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

24 January 1957

discharges, and discontent with the conduct of the elections held in May and August 1956.

A rampant inflation since 1950 has caused army pay to lag behind skyrocketing prices, making it impossible for either officers or enlisted men to live on their salaries. As a result, all of the services have set up "welfare funds" which are supported by graft, black-market activity, and in some cases by the hiring out of entire military units to civilian contractors. A poor rice harvest in 1956, coupled with an upturn in prices, indicates that the purchasing power of the soldier's hwan will deteriorate still further, and the temptation to engage in illegal activities will increase.

Factionalism and political activity within the armed forces

rose sharply during 1956. Discontent has also been furthered by the assassination of CIC chief "Snake" Kim, attempts to swing the soldier vote to President Rhee during the 15 May elections, interference by politicians in army discharge planning, and the transfer of some 75 percent of the army's general officers. [REDACTED] 25X1

[REDACTED]

The South Korean armed forces are believed capable of fulfilling their assigned combat role at this time. Continued deterioration, however, could seriously impair their fighting capability. [REDACTED] 25X1

NICARAGUAN NATIONAL ELECTIONS

The presidential and congressional elections scheduled for 3 February in Nicaragua will be carefully controlled by the government to ensure the election of President Luis Somoza for a full six-year term in the presidency. Somoza became president last September after the assassination of General Anastasio Somoza, his father and long-time Nicaraguan strong man.

Candidates of the official Liberal Party are slated for two thirds of the seats in the bicameral congress while, in accordance with constitutional provisions, the remainder of the seats go to the "opposition." In this instance, the nominal opposition is the Nicaraguan Conservative Party, which is composed mainly of officeholders who are not members of the official party, but have accommodated themselves to the regime. The

party is a facade created to offer token opposition, so its leaders can obtain government jobs after the election and so



LUIS SOMOZA

the regime can point to "democratic" election procedures.

Genuine opposition elements, led by the traditional

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

24 January 1957

Conservative and the Independent Liberal parties, have decided to boycott the election and, because of their decision, now lack legal status. Numerous members of the opposition, including many who are in political exile, are convinced that revolution is the only way to remove the Somoza regime from power. Plotting, which is virtually continuous, is likely to continue and will probably result in outbreaks of violence from time to time. There is no indication, however, of plans for a revolutionary attempt before the election

Opposition groups probably lack significant popular support, except in the traditionally Conservative stronghold in and around the city of Granada. Members of the opposition range

from the extreme right to the extreme left and their only common ground is opposition to the regime.

Any successful revolution would have to be supported by at least a portion of the national guard, Nicaragua's 4,000-man army. The guard is controlled by Colonel Anastasio Somoza, the president's younger brother, and there is at present no evidence of serious discord in the guard.

The official Liberal Party, a powerful political machine, probably has genuine popular appeal because of the late dictator's labor and social reforms. It could probably win a majority even in a free election. With the all-important support of the national guard, it is the only group with a reasonable chance of maintaining internal order at this time.

25X1

EURATOM AND THE COMMON MARKET

The six-nation negotiations in Brussels on the treaties for EURATOM and the European common market have moved into what appears to be their final phase. Several major issues remain, which could cause delay or even a deadlock, but all six countries seem eager to finish the treaties. Prospects are therefore favorable for signature within a few weeks after the 26-27 January meeting of the foreign ministers of Belgium, France, West Germany, Italy, Luxembourg, and the Netherlands, or a possible top-level meeting immediately thereafter.

The negotiations have been given possibly their biggest impetus thus far by the excellent reception Belgian foreign minister Spaak received in London during his recent

consultations with the Macmillan government on British relations with the six-nation effort. No agreements in detail were worked out, but Spaak came away with the impression that London genuinely desires association with the common market through the free trade area arrangement, which might also include Austria, Switzerland, and the Scandinavian countries.

British officials indicated for the first time willingness to discuss the additional measures requisite to such association--such as co-operation in economic policies. By dropping earlier protestations that completion of the Brussels talks would amount to a fait accompli, they have minimized the threat that the common market treaty might be delayed while the complicated details of association were actually worked out.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

24 January 1957

The evident warmth of Spaak's reception seems also to have helped the Mollet government in its first approach to the French National Assembly for approval of the general common market principles. During a week of "orientation" debate, the critics gave free rein to fears of foreign competition, demands for special protection, and distaste for the six-nation concept. Government spokesmen argued that only some real achievement such as the common market could sustain Britain's present interest in European integration moves. While the favorable vote given Mollet by no means assures final ratification of the treaties, it nevertheless promises that the as-

sembly will eventually receive treaties which it can debate.

Of the remaining treaty issues to be resolved on 26 and 27 January, the status of agricultural production and overseas territories in the common market and the French atomic weapons program within EURATOM promise to be the most difficult. French ideas on these matters still provoke great skepticism elsewhere, and some of these problems may finally be resolved only in a general way, leaving the details for later protocols. Part of this skepticism is the result of the increased tendency everywhere to look beyond the economic provisions of the two projects to their political and strategic significance.

25X1

* * *

SECRET

~~CONFIDENTIAL~~
~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

24 January 1957

PART III

PATTERNS AND PERSPECTIVES

INDIAN NATIONAL ELECTION PROSPECTS

Prospects for the Indian national elections beginning in late February are that Prime Minister Nehru's Congress Party will retain control of the national parliament and of the governments of all states, except possibly Kerala. The Congress Party seems likely to obtain less than the 45 percent of the popular vote it won in India's first national elections in 1952, however, and to have a weaker hold both in parliament and at the state level than at present. If the present trend toward increasing unity among both rightist and leftist elements in the opposition continues, the Congress will face a stiff fight in several states and may be forced to agree to some coalition governments.

Present Status

The Congress Party now holds 365 of the 499 seats in the lower house of parliament. The Communists, with 22 seats, and their allies, with eight, constitute the strongest formal opposition group, although the 35 independents are the largest group numerically. The Praja Socialists, with 23 seats, are the only other important group. Immediately prior to the states reorganization on 1 November 1956, the Congress Party had an absolute majority in the assemblies of all states except Orissa, Travancore-Cochin, and Madras, in each of which it was, nevertheless, the largest single party.

India's 200,000,000 eligible voters, the largest electorate in the free world, will vote for 494 delegates to the new 500-man lower house of parliament. Six delegates from Indian-held Kashmir will later be appointed by the president of India to the remaining seats.

Reservation of 76 of the 500 parliament seats for depressed castes and 31 for primitive tribes (an increase of nine over the present number) will probably favor the Congress Party.

Voters will also elect a total of 3,102 delegates to the 13 state assemblies (excluding Kashmir), 181 less than the present number of 3,283. This cut, which will affect mainly Congress Party incumbents, will be an advantage to the opposition, which has fewer available candidates than the Congress. The elections are likely to be relatively peaceful, efficient and honest as they were in 1952.

Election Schedule

The last day for filing nomination papers was 20 January. Official lists of candidates will be published about 1 February, following a 10-day scrutiny of candidates' papers by election officials. Balloting will begin on 24 February and end on 14 March, according to present schedules. Final results will be announced about 31 March, except in a few unimportant areas where winter weather will delay balloting until April or May.

This schedule limits the formal campaign period to little more than four weeks, giving candidates a minimum of time to reach a very large number of voters. The primary reasons for the brevity of the campaign are the linguistic disputes which prevented the reorganization of the Indian states until 1 November 1956, the subsequent delays in delimitation of constituencies within the new states, factionalism within the Congress Party, and tactical strategy on the part of the opposition, all of which hampered the choice of party candidates.

~~CONFIDENTIAL~~
~~SECRET~~

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

24 January 1957

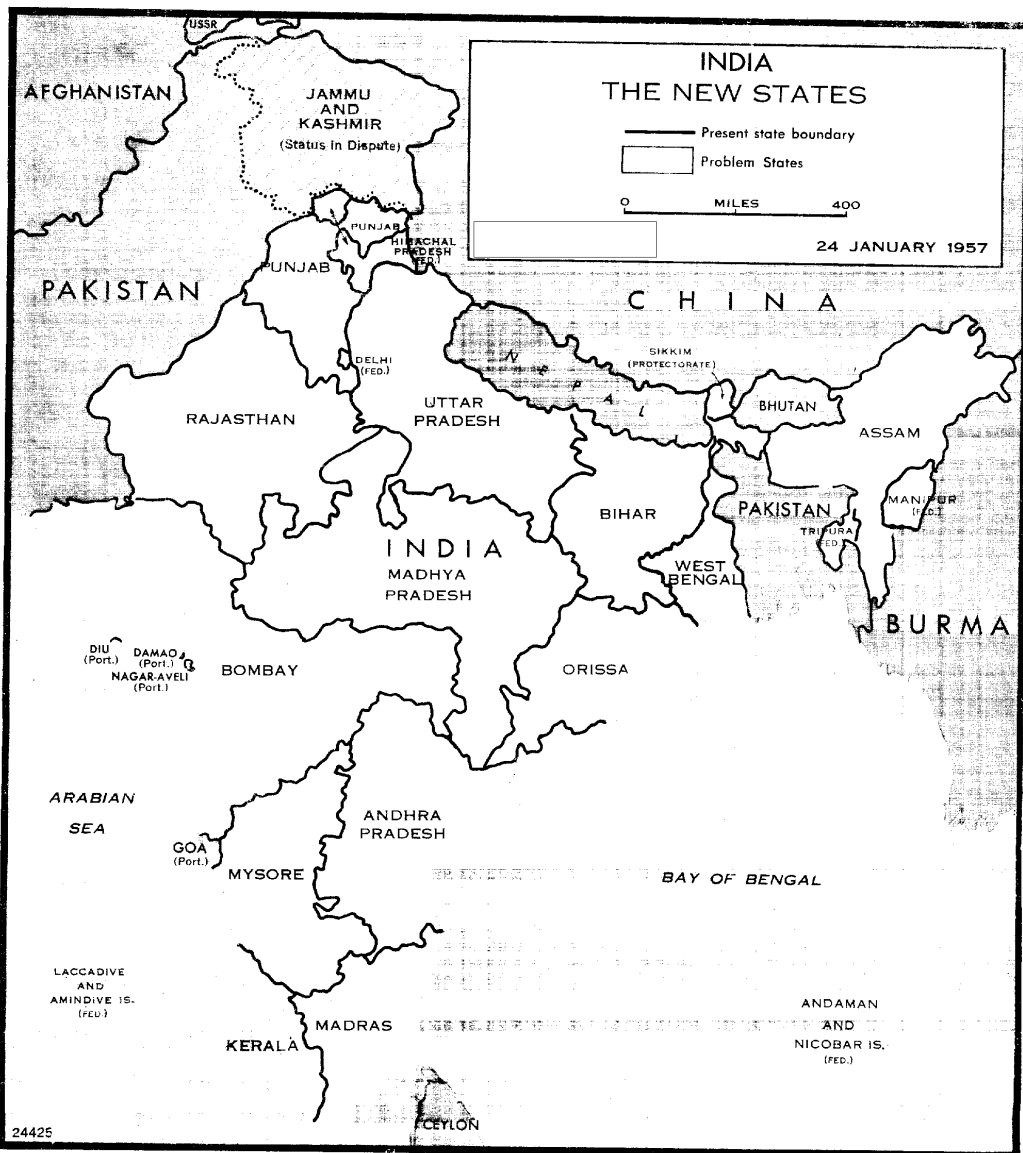
Since there is no outstanding national issue, the campaign will presumably revolve around local issues of vital interest only to the voters in each individual state.

Congress Party Position

The Congress Party's main task in the elections will be to hold the overwhelming majorities it now enjoys in the heavily populated, centrally

located states of Uttar Pradesh, Bihar, Madhya Pradesh, and Bombay, from which almost half of the total number of parliament members are elected. Its secondary problem is to prevent deterioration of its position in the smaller peripheral states such as West Bengal, Orissa, Kerala, and Rajasthan, where it faced the greatest opposition in 1952.

Aside from its numerical strength and the prestige of



25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

24 January 1957

office, the Congress Party enters the campaign with only one major asset--the economic development achieved during the First Five-Year Plan--and is making this the keystone of its campaign. The impact of progress under the plan--mainly increased agricultural production and community improvement projects--has been felt throughout India, but in widely varying degree. Community projects have as yet reached only about one third of the population.

Other factors on which the Congress Party is counting heavily may be less effective than hoped. The "party which won independence" theme has worn thin after 10 years. Nehru, whose campaigning had no demonstrable effect on the state elections in Travancore-Cochin and Andhra in 1954 and 1955, has been more frequently heckled, booed, and insulted during 1956 than ever before, and some Congress leaders have been stoned.

Congress Plans

Organizationally, the Congress Party machine has deteriorated since 1947, primarily because of the need for all capable party members to concentrate on government affairs. Major party membership drives planned for June and October 1956 do not seem to have been very successful. There is very little evidence that plans formulated by the Congress Party high command during 1956 for regaining lost contacts with the voter at the village level have been effectively carried out.

The Congress has also been plagued by severe factionalism in practically all states. Failure to end disputes at this late date may be damaging even in states where the opposition is not especially strong.

Congress may also be handicapped by the idealistic ruling

of its own high command that there shall be approximately one third new faces among Congress candidates, that 15 percent of the candidates shall be women, and that there shall be an adequate representation of minority groups. Arbitrary insistence on female and minority candidates in caste-ridden, conservative South India and unfamiliarity of candidates with their constituencies may lose the Congress Party some seats.

The Congress Party's tactic of not conducting energetic campaigns in the states where it does not face strong opposition may also prove to be an error. Another weakness appears to be that the party's election program, as announced in an election manifesto issued in early January, deals mainly in theories and generalities of little interest to the village voter. Most of the points have been familiar to the Indian public for years, and few persons are likely to be greatly attracted by them.

The Opposition

The opposition facing the Congress Party consists mainly of two groups. One is leftist-oriented and includes the Praja Socialist, Socialist, and Communist parties as well as the Peasants' and Workers' Party in Bombay and the People's Democratic Front in Andhra. The other is rightist-oriented and includes the Bharatiya Jan Sangh, the Hindu Mahasabha, the Ram Rajya Prishad, and the Ganatantra Parishad.

All these parties are relatively small and suffer from second-rate leadership, organizational weaknesses, shortages of funds, and factionalism. On the other hand, increasingly successful efforts among these groups to forge electoral agreements designed solely to "get the Congress"

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

24 January 1957

have introduced an important new element of opposition unity into the Indian election campaign. Benefiting by the split-vote lesson learned in 1952, opposition parties have already formed electoral arrangements in West Bengal, Andhra, Kerala, Rajasthan, and much of Bombay State, and are engaged in active discussions in most other states. If factional rifts within the Congress Party are not healed by election day, this united opposition could prove fairly effective.

Unlike the Congress Party, the opposition is carefully tailoring its programs to fit the interests of individual states. It is concentrating heavily on issues of importance to each district, village, or special interest group. Such topics as fair prices, fair wages, greater employment, lower taxes, more irrigation works, fewer police controls, and land reform are common in most opposition manifestoes. The opposition electoral coalitions in West Bengal and Bombay have agreed on minimum joint programs to take to the voters.

Furthermore, opposition parties, many of which have been more active at the village level than the Congress since 1952, have in some areas been campaigning since last July. Candidates in some areas were chosen as early as November. Both opposition programs and candidates over considerable portions of India may therefore be more familiar to the voter than the Congress Party man, who may or may not adequately cover his constituency between 1 February and election day. Even rightist party candidates,

many of whom are well-known landlords or ex-princes, will have an advantage over the Congress in this respect.

Campaign Trends

The most significant trend in the campaign to date is that of apparently growing opposition unity, shown by frequent announcements of the formation of new electoral fronts of both rightist and leftist parties. These announcements contrast with continuing reports indicating net losses for the Congress Party.

New parties recently formed in the Punjab, Madras and Kerala are led by former Congress members. A serious revolt in Congress ranks is taking place in Bihar. In northern Kerala, the Congress Party has failed to win the support of the Moslem League. Former supporters of the Congress Party are discussing the formation of additional new parties in Madras and Mysore. The anti-Congress front in southern Bombay contains numerous former Congress members who resigned over the language issue.

If this trend continues, the Congress Party may find its position in former strongholds weaker than before, and its hold on peripheral states precarious. If it suffers serious losses, the Congress Party may find it increasingly difficult in the next five years to maintain discipline in parliament and at the state level, which could materially affect the progress of the Second Five-Year Plan.

25X1

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

24 January 1957

COLONIAL ISSUES IN THE 11th UN GENERAL ASSEMBLY

Beside the headlined disputes on Algeria, Cyprus and West New Guinea, the 11th UN General Assembly will consider a large number of items on trusteeship and non-self-governing territories generally--items which collectively do much to determine the attitudes of Asian, African, and Latin American members on other issues involving the Western European countries. The accession of 20 new UN members since last year has further weakened the position of the Western powers in their attempts to limit the extent to which the UN concerns itself with their territories.

The great majority of colonial items are individually not major political questions, but collectively they do much to determine the attitudes with which the Asian, African and Latin American members approach other issues involving Western European countries.

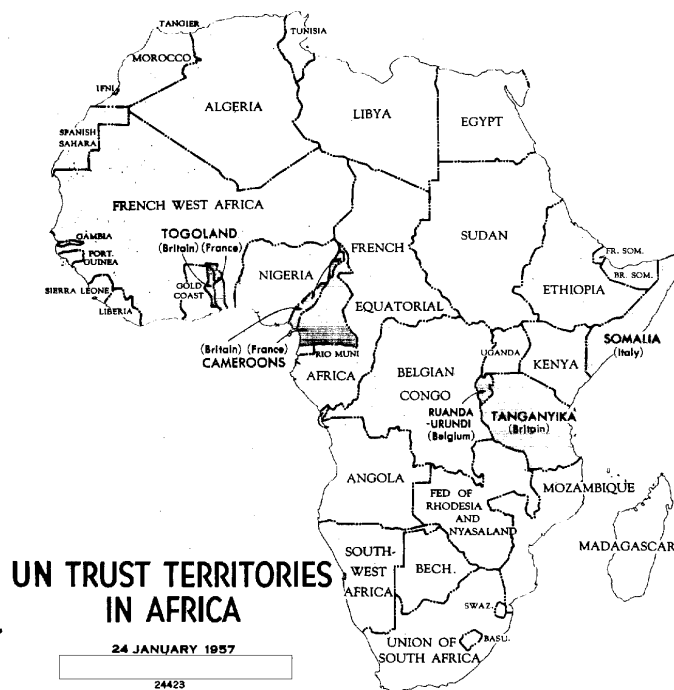
UN members generally agree that the charter envisages the attainment of self-government by dependent areas, but there is sharp conflict between the administering powers and the others over the method and speed of achieving this objective.

The Asian-African group, which has led the anticolonialist movement, has been augmented by 10 of the 20 new UN members. The Soviet bloc, which has generally supported such moves, has gained four. Only two of the new Western European members have colonies of their own.

American efforts to exert a moderating influence in specific disputes have in previous sessions been condemned by both colonial and anticolonial powers. The United States' stand on the British and French intervention in Suez was hopefully hailed by the anticolonial group--particularly the Arab states--as indicative of a shift toward a stronger stand in the UN on colonial issues.

Trust Territories

The UN trusteeship system presently encompasses 11 territories--seven in Africa and four in the Pacific--for which trusteeship agreements were approved by the General Assembly between 1946 and 1950. Responsibility for governing these territories rests with the respective administering states--Australia, Belgium, Britain, France, Italy, and the United States. The UN General Assembly

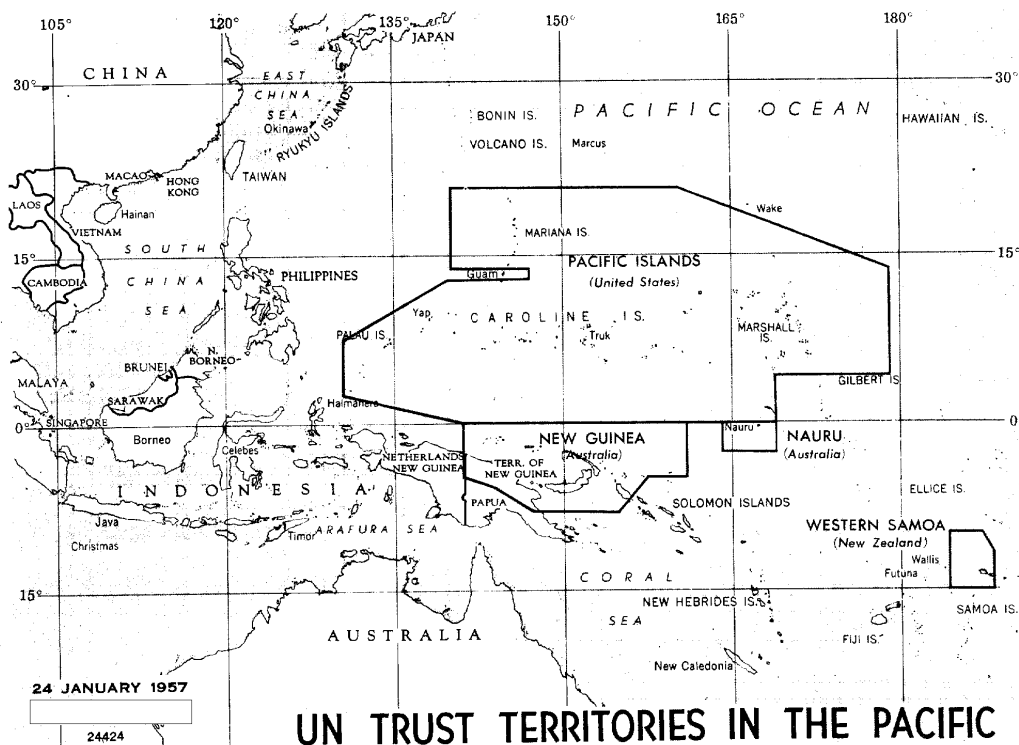


25X1

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

24 January 1957



through its Trusteeship Council supervises the operation of the agreements.

By the end of the present session, the trusteeship agreement for British Togoland will be officially terminated and the territory allowed to unite with the Gold Coast when it becomes independent this year.

On the other hand, French Togoland will probably remain under General Assembly supervision until a majority of the UN members are convinced that the referendum on 28 October--which was conducted without any UN participation--truly represented the will of the people regarding self-government. Considerable doubt has been expressed in the UN that the new statute for the territory, which creates the "Autonomous Republic of Togoland" within the French Union, grants a sufficient degree of self-government to justify termination of the trusteeship agreement.

The border dispute between Ethiopia and Italy over the unsettled frontier along Somaliland, a trust territory administered by Italy, could become a political football for the Arab League. Since neither Italy nor Ethiopia wants direct UN mediation in the dispute, both countries would probably acquiesce in a General Assembly resolution on urging further negotiations.

The administering powers have frequently been outvoted in the General Assembly on matters affecting the territories they govern. The sharpest debates have occurred over the establishment of "target dates" for the attainment of self-government or independence in the trust territories. This year's assembly may endorse the Trusteeship Council's recommendation that intermediate target dates be established to create favorable conditions for the achievement of the eventual goals. The controversy over short-range

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

24 January 1957

target dates as opposed to long-range time limits divides the UN three ways, because certain administering powers-- Belgium, Britain, and France-- are opposed to either idea as unwarranted interference in the internal affairs of an area.

The more vociferous of the anticolonial group insist that the UN should establish a definite date for each trust territory to achieve independence, while other UN members, including the United States, consider the establishment of intermediate dates more realistic and workable.

Non-Self-Governing Territories

The charter provides in Article 73 that administering authorities of all dependent territories report annually to the UN secretary general on economic, educational and social conditions in their non-self-governing territories. Administering states and the anticolonial group have repeatedly clashed over the interpretation of this obligation. The former have unsuccessfully fought a growing tendency on the part of the General Assembly to assume supervisory functions in the administration of these dependent areas.

The most dramatic issue likely to arise on non-self-governing territories in this session concerns Portugal. Under Portuguese law, the overseas territories are all provinces of metropolitan Portugal, and Lisbon has recently told the UN secretary general that it "does not administer territories which fall under the category indicated by Article 73 of the charter." The anticolonial group is certain to take the view that such a stand amounts to an evasion of the intent of Article 73.

Algeria

The Algerian item--the first of the special disputes

scheduled to come before the General Assembly--was sponsored by 15 Arab-Asian-African states and inscribed on the agenda without objection. France did not oppose inscription, but it continues to maintain that Algeria is a French internal matter on which the UN is not competent to take action. Premier Mollet told the American ambassador on 8 January that the French delegation would walk out if the General Assembly expressly insisted on its competence to discuss the issue, and that France would withdraw permanently from the UN if a resolution condemning French policy were passed.

France is, however, no longer planning to take the initiative on the competence issue, probably recognizing that any such move would be defeated in the General Assembly, thus amounting to an assertion of UN competence on the matter. Foreign Minister Pineau indicated on 16 January that he might be content with some procedural device for shelving any UN action on Algeria for the time being.

Cyprus

The Cyprus dispute is expected to be taken up by the assembly immediately after Algeria. Greece and Britain each proposed the question and it was inscribed by common consent under one item. Two previous sessions of the General Assembly have in effect refused to discuss the Cyprus question. New factors indicating that the assembly will fully discuss the Cyprus question this year include Britain's intention to lay its case before the UN, Greece's apparent willingness to settle for something less than UN endorsement of self-determination, and some Turkish statements favoring a solution along partition lines.

West New Guinea

The Arab-Asian memorandum requesting the inscription of

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

24 January 1957

Irian stated that the "UN has the responsibility and duty to further efforts in finding a peaceful solution to this... dispute between two member states." As in the past, the Dutch and the Australians may be expected to oppose not only any discussion of this item but also any substantive resolution.

Indonesian foreign minister Abdulgani told Ambassador Lodge

on 28 November that his government wants to avoid a bitter dispute over this issue with the Netherlands in the UN. The government is reportedly considering a proposal calling on the General Assembly president or the secretary general to provide good offices to both parties to help bring about a settlement by peaceful means as soon as possible.

25X1

* * *

SOVIET INTELLECTUALS IN CULTURAL FERMENT

Relaxation of police terror in the USSR and attacks on the Stalin myth have stimulated outspoken demands for greater cultural freedom and heated controversies over Soviet cultural principles. Soviet belles-lettres have given greater weight to human values and have treated the evils of bureaucracy as representative products of the Soviet social system. Increasing numbers of Soviet intellectuals are showing remarkable unanimity in striving for further liberalization of controls over creative activity, which the regime is probably unwilling to grant.

Immediate Post-Stalin Period

Soviet cultural authorities suppressed with apparent ease the first public appeals for greater freedom of expression in the arts after Stalin's death. An undercurrent of restiveness, however, continued to stir the more independent-minded elements of the Soviet intelligentsia--those members of Soviet society engaged in genuine cultural and intellectual work or study, as opposed to mere propaganda hacks, technicians, party and govern-

ment officials, all of whom are included in the Soviet meaning of the term "intelligentsia."

In the Soviet system, intellectuals in the arts have always been regarded as "engineers of the human soul" and vital cogs in the machinery of propaganda. Possessing prestige, talent, and knowledge, they are indispensable to the regime in molding public opinion. Hence, failure to gain their support carries with it the danger of weakening the regime's hold over the population. The "writers' revolt" against doctrinaire Communism in Hungary and Poland, for example, was an important factor in crystallizing national feelings and generating popular pressures on the regimes.

During the past three years, foreign travelers in close contact with Soviet student and intellectual circles have noted widespread disillusionment with Communist indoctrination, and dissatisfaction with the restraints on intellectual activity. Instead of actively protesting their lot, most intellectuals continued to adapt their work to official dictation.

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

24 January 1957

Nevertheless, individuals began to voice their views, with seeming impunity. Jokes satirizing the regime were circulated quite openly, and many intellectuals were privately agitating for an end to state interference in intellectual and cultural life. A prominent Polish writer who visited the USSR in the fall

AN EMPHASIS ON HUMAN VALUES

Search, search. Search throughout the world.

Yes, truth is fine, but happiness is better,

Though there is no happiness without truth...

Love men and you will understand them.

Remember, I'll be watching you. When in trouble, come back to me.

Go.

"Railroad Station Winter"
by YEVGENY YEVTUSHENKO

of 1955 was amazed by the contrast between the official facade of cultural conformity and the "volcanic" atmosphere of student groups.

Effects of De-Stalinization

After the spectacular attack on Stalin at the 20th party congress, the mood of many Soviet intellectuals apparently changed from cynicism and muted unrest to increasingly palpable ferment. Although de-Stalinization was intended by the Soviet leaders to be a tightly controlled process, the breaking of the Stalin idol cast doubt on many of the sanctified myths of the Stalin era, discredited their practitioners, and threw Soviet intellectuals into open confusion. Many came to regard de-Stalinization as the beginning of a sharp, irreparable break with the past. In the cultural field, its immediate effect was to place the cultural bureaucrats on the defensive--symbolized by the suicide in April of Stalin's literary hatchet man, Fadeyev--and to release some of

the deep-seated grievances that had simmered during Stalin's lifetime.

Judging from eyewitness reports, official press criticism, and the candid descriptions of the past in Soviet belles-lettres, it was clear that increasing though undetermined numbers of Soviet intellectuals sought explanations for the horror of Stalinism in their own submissiveness as well as in the nature of the Soviet system itself. Survivors of Stalin's purges in the intellectual fields emerged from rehabilitation with increased stature, and some made outspoken demands for preferential treatment. Some of those who had given up creative activity rather than prostitute their art returned to work.

Ferment in the Arts

Although most Soviet intellectuals continue to follow the narrow, officially approved lines of creative activity, some have sought to use the more relaxed atmosphere for broadening the limits of what is permitted in the arts. In all the major literary works of the post-Stalin period--Ehrenburg's The

A CRITICISM OF THE "DOCTORS' PLOT"

Nowadays anybody thinks like a philosopher.

Such are the times.

It takes time to figure out what, where, and how.

So it turns out that the doctors were innocent?

Why, then, did they hurt people?

It's a disgrace in front of all of Europe...

"Railroad Station Winter"
by YEVGENY YEVTUSHENKO

Thaw, Panova's The Seasons, Zorin's Guests, and, more recently, Dudintsev's Not By Bread Alone--the evils of bureaucracy have been depicted not as isolated phenomena but as representative products of the Soviet social system itself. The society described in these

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

24 January 1957

works is one in which people continue to hold to their Communist convictions but question the meaning of their lives and seek lasting values on which to base their behavior.

Although denounced by official critics, this departure from the traditional practice of embellishing Soviet reality has evidently found a welcome response among certain elements of the Soviet reading public.

Other writers have put their emphasis on human values. The famous old poet, Pasternak, who only recently resumed writing, has published a poem in which he contrasts the fleeting quality of fame with the enduring rewards of personal integrity. A popular poem by the young Siberian writer, Yevtushenko, contains an unflattering description of Soviet society under Stalin and stresses the need for independent thought and the impossibility of achieving happiness without truth.

Some Soviet intellectuals have attempted to revive certain "bourgeois" art form suppressed for many years. They have been encouraged in their efforts by the posthumous rehabilitation of many victims of Stalin's purges in the arts --including about half the authors purged in the 1930's and 1940's. The cultural bureaucrats as a result have warned against undue praise being accorded the artistic achievements of purge victims --Meyerhold for one, the once famous Soviet theatrical innovator.

Attacks on Soviet "Culture"

Though less pointed in their criticism than their Polish and Hungarian counterparts, the more daring of the intellectuals, challenging the validity of the doctrine of "socialist realism," have charged that the

"unhealthy phenomena" and "bureaucratic distortions" of the Stalin era represent the "basic orientation" of Soviet cultural development. They have aroused official ire by treating the 1920's as a "paradise lost" and by repudiating the entire Soviet cultural achievement under Stalin. The high point in this criticism was reached

AN APPEAL TO INDEPENDENT THOUGHT

Let us think. We are all to blame...

For sterile poetry, for myriads of quotations,

For the stereotyped conclusions reached in our speeches...

Our confessions are for the sake of truth,

For the sake of those who died in the name of truth.

We do not want to live the way the wind is blowing,

According to the moods of the day.

We will find answers to our questions Why?

Great tasks are ahead. Let us think.

Let us prove equal to our tasks

"Railroad Station Winter"
by YEVGENY YEVTVSHENKO

last October when two drama critics, writing in the ideological journal Problems of Philosophy, charged that since the mid-1930's "bossing and all kinds of repression became the principal methods of influencing art," and they demanded the abolition of direct party control of the arts.

A significant aspect of this criticism is that it has come from individuals whose subservience to the cultural bureaucracy had seemed complete. Aleksandr Bek, for example, an author of the Stalin era, described bureaucratic censorship in a meeting in Moscow last July as a "grave malady not easily cured," and demanded that a form of voluntary censorship by the writers themselves be substituted. One of the regime's most frequent mouthpieces in the arts, the novelist and playwright Konstantin Simonov,

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

24 January 1957

also emerged recently as a defender of the "freedom to create" in the arts.

The emergence of independent opinion among the more articulate elements of Soviet society represents one of the most significant developments of the post-Stalin period. Without intentionally acting in opposition to the regime, intellectuals in the cultural field, by exposing shortcomings in the Soviet system and demanding greater elbow room for professional activity, have acted as catalysts for the latent forces of change in the USSR. Thus, the writer Dudintsev, whose novel Not By Bread Alone created a furor among Soviet intellectuals, was forced to counsel moderation when students at a Moscow University meeting on 2 November to discuss his book went far beyond his intent to criticize the regime.

Official Reaction

During the past two months the Soviet regime has reacted vigorously to the growing challenge to its authority in the arts. The warnings which were issued in the spring and summer against "alien influences" and ideological heterodoxy in the arts have been reinforced by a widespread campaign against the

recalcitrant elements within the intelligentsia.

Although the extent of the punitive action taken by the regime is not yet clear, the Soviet press has reported instances in which "rotten elements" among students and intellectuals have been disciplined by expulsion from universities or reduction in party rank. The seriousness with which the regime views the situation is revealed by warnings in the Soviet press that criticism of party control and official doctrine in the arts represents opposition to the Communist system itself and will not be tolerated.

The events in Eastern Europe, where intellectual ferment merged with widespread political and economic discontent, have undoubtedly heightened the sensitivity of the Soviet leaders to the dangers inherent in even slight manifestations of intellectual heterodoxy. The Soviet leaders may now be under increasing pressure to resort to some of the more rigorous measures of the Stalin era to control restive elements within the intelligentsia. If the regime reverts to repression, it will run the risk, of course, of further alienating the very elements of Soviet society on which it depends for the transmission of values to future generations.

25X1

* * *

POLITICAL SITUATION ON TAIWAN

The internal situation on Taiwan continues to be politically stable, and President Chiang Kai-shek's authority remains complete and unchallenged. Disillusionment concerning prospects for regaining the mainland and some dissatisfaction among native Taiwanese, however, remain potential

threats to the Chiang government.

Within the Kuomintang (KMT), moderate and authoritarian elements continue to compete for power under the generalissimo. Morale, while not yet critically low, may deteriorate as the regime's international position

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

24 January 1957

declines. The Nationalists also appear concerned over the threat from the native Taiwanese, who comprise an increasing proportion of the Nationalist armed forces.

Two minor parties on the island--the Young China and Democratic Socialist parties--are neither active nor influential

The extent of factional maneuvering within the Chinese Nationalist regime is today limited by a relative absence of political spoils, the universal desire for a return to the mainland, and the continuing good health of President Chiang Kai-shek. Nevertheless, disagreement between moderate and authoritarian elements on the island are reflected in both foreign and domestic policies.

Politics on Taiwan are today closely associated with the activities and personality of Chiang Ching-kuo, the generalissimo's elder son, who has come to be strongly opposed by moderate elements on the island. The Soviet-educated Chiang Ching-kuo, through the support of his father, has gained control of most of the intelligence and security organizations on the island. His followers are strongly represented in key positions within the Kuomintang, and are influential within the army through their control of the General Political Department, whose representatives are attached to units down to the squad level. In addition, Chiang Ching-kuo heads the 30,000-man anti-Communist National Salvation Youth Corps, a paramilitary organization.

Opposition to Chiang Ching-kuo stems from various factors. A leader of the authoritarian wing of the Kuomintang, he has dealt harshly with his enemies. His lack of sympathy for free institutions, together with his earlier Communist background, has caused him to be distrusted by Western-oriented Chinese. Persons hostile to Chiang Ching-kuo fear his father may wish his son to succeed him.

Opposition to Chiang Ching-kuo is centered about Vice President Chen Cheng, a respected party elder, who would legally succeed to the presidency in the event of Chiang's death prior to 1960. The majority of persons opposed to Chiang Ching-kuo are nominally--for considerations of a constitutional succession--supporters of Chen Cheng. In contrast to Chiang Ching-kuo's powerful following in security organizations and the KMT, however, Chen does not enjoy a broad base of support. Although Chen's adherents occupy many senior positions in the army and government, his numerical following is not large, and not as strategically placed as that of Chiang Ching-kuo.

Considerations of international prestige make it likely that President Chiang's death would be followed by a constitutional succession. While Chiang Ching-kuo might attempt to seize power, he has shown that he prefers wielding power from behind the scenes to occupying prestige positions within the party and government. In addition, the presidency is not constitutionally a powerful position. Chiang Kai-shek's power derives largely from his personal prestige, together with his control of the KMT, and his son could dominate politics on the island without holding the presidency.

Meanwhile, Nationalist politics remain largely confined

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

24 January 1957

within the mainlander elite, which comprises about one fifth of Taiwan's 10,000,000 population. Although relations between the Nationalists and Taiwanese have improved since the Taiwanese uprising in 1947, especially because of a relatively high standard of living, continuing friction has prompted a feeling of uneasiness among mainlanders. With the Nationalist army expected to be 50 percent Taiwanese in about three years, concern for its political reliability may prompt new security measures and po-

litical indoctrination in the future.

Although Communist penetration of the Nationalist government is not believed to have reached serious proportions, last fall a colonel within the Ministry of National Defense was arrested as a Communist agent. The Communist and Taiwanese threats, together with the continued fear of defections to the mainland, appear likely to enhance the importance of Chiang Ching-kuo's security forces for the foreseeable future.

25X1

* * *

SECRET

Page Denied