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14 February 1957

CURRENT INTELLIGENCE WEEKLY SUMMARY



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

PART I

OF IMMEDIATE INTEREST

MIDDLE EAST DEVELOPMENTS Page 1

Israel, not wanting to bear the onus for rejecting the American proposal on the questions of navigation of the Gulf of Aqaba and withdrawal from Gaza, has delayed its official reply and thereby succeeded in having Egypt express its disapproval first. New threats to halt clearance work on the Suez Canal have come from Cairo; Egyptian delays already make it doubtful that the UN's early March date for restoration of canal operations will be met. Syria has refused to permit repair of the pipeline from Iraq, allegedly at Nasr's request. In Jordan, it was announced on 13 February that agreement had been reached for terminating the Anglo-Jordanian treaty by 1 March, "if possible." Termination of the treaty may accelerate developments which could lead to the collapse of King Hussain's regime. [redacted]

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SOVIET FOREIGN POLICY AND DIPLOMATIC ACTIVITY Page 3

Soviet foreign minister Shepilov's foreign policy report to the Supreme Soviet this week reaffirmed the general lines of Soviet policy laid down at the 20th party congress a year ago and gave further evidence that the Soviet leadership hopes to recover the prestige it lost as a result of the Hungarian uprising. The USSR also released a series of notes to the Western powers proposing multilateral approaches to the problems in the Near East and complained to the UN General Assembly of "provocative" acts by the United States. [redacted]

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PART II

NOTES AND COMMENTS

THE SUPREME SOVIET MEETING Page 1

The Supreme Soviet session which ended on 12 February considered the state budget, economic plans, and foreign policy. It also approved certain measures to carry out the 20th party congress program providing for administrative decentralization and for correction of abuses of the Stalin period. The Soviet leaders apparently feel that their "liberalization" program is sound despite domestic political criticism and strains in relations with foreign Communist parties abroad to which the program gave rise.

[Redacted]

REACTIONS TO AMERICAN-SAUDI COMMUNIQUE Page 2

In Egypt and Syria, the press has ignored King Saud's statements favoring American policy while playing up other aspects of his visit. Nasr reportedly believes the king went too far, too soon, in endorsing American Middle East proposals. In Iraq and Lebanon, the communiqué has been cited as evidence of the failure of Egyptian policies. King Saud's visit and the American-Saudi communiqué are to be discussed at a meeting of Arab leaders in Cairo scheduled for 23 or 24 February.

[Redacted]

SOVIET BLOC ECONOMIC OFFENSIVE IN EGYPT Page 3

Soviet bloc countries are continuing to contract with Egypt for industrial and military projects and to supply Egypt with vital imports. A Soviet-Egyptian agreement announced in January calls for a doubling of 1956 trade to \$60,000,000 in 1957. It now appears that the bloc will be the largest purchaser of Egypt's current cotton crop--about 50 percent

[Redacted]

INDIAN NATIONAL ELECTIONS Page 4

The important issues in the Indian national elections--starting on 24 February--are almost all domestic. The Congress Party, the only one contesting practically all the seats in parliament and at state levels, is expected to emerge with control of the parliament and most state governments.

[Redacted]

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THE NENNI SOCIALIST CONGRESS Page 7

The national congress of the Nenni Socialist party from 6 to 11 February gave its leader the general policy backing he sought for achieving independence from the Communists and reunion with the Democratic Socialists and re-elected him secretary general. Nenni gained control of the five-man executive committee, but his supporters are reported outnumbered on the two policy-making bodies, the directorate and the central committee. Democratic Socialist leader Saragat has denounced Nenni's moves, but reunification sentiment in his party may override his opposition. [redacted]

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IDEOLOGICAL NONCONFORMITY CONTINUES TO PLAGUE USSR . . . Page 8

Ideological "heresy" and disaffection among various elements of Soviet society, particularly students, continue to plague the Soviet regime, although there are indications that official disapproval and fear of repression may have silenced some outspoken critics of Soviet policies. While the harsh language employed by the regime to counter "unhealthy" behavior is often reminiscent of the Stalin era, the regime appears reluctant to resort to any wholesale repressive measures. [redacted]

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KREMLIN MANEUVERS TO UNDERMINE GOMULKA Page 9

[redacted]

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Gomulka is convinced he must act soon to oust Stalinist officials in the government and apparently intends to concentrate his efforts on this before turning to the problem of party factionalism. A ministerial reshuffle may be announced after the new parliament meets on 20 February. [redacted]

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EAST GERMANY TO CONTINUE HARSH MEASURES Page 10

Party first secretary Ulbricht and other leaders of the East German Socialist Unity (Communist) Party last week called for loyalty to orthodox Communism and tough party disciplinary measures to cope with ideological deviation and opposition to the regime. Opposition was admitted to have reached dangerous proportions within the party and among the East German intelligentsia. [redacted]

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UNEMPLOYMENT IN BULGARIA AND RUMANIA Page 11

There is serious unemployment in Bulgaria and Rumania as a result of layoffs in nonagricultural industries and sizable reductions in government agencies. The two governments are considering the "temporary" transfer of some of their unemployed to the Soviet Union, Hungary and Czechoslovakia, primarily for agricultural work.

[Redacted]

INDONESIA Page 12

President Sukarno continues to work energetically to set up an "advisory council" in Indonesia. Prime Minister Ali, faced with continued resistance from non-Javanese areas, has told parliament that the cabinet will effect an "integral reshuffle." The cabinet's decision to reorganize rather than resign is probably intended both to obstruct Sukarno's plans and to avoid the necessity of forming a new government just prior to the UN's discussion of Indonesia's claim to Netherlands New Guinea.

[Redacted]

BURMESE COMMUNIST INSURGENTS
PUSH FOR NEGOTIATED SETTLEMENT Page 13

The Burma Communist Party, one of three Communist organizations active in Burma, has stepped up its effort to negotiate a settlement of its nine-year-long insurrection. To strengthen its negotiating position, the party has launched an intensive propaganda campaign and a series of "prestige" raids on urban centers. The Burmese government has continued to reject demands of the Communists for recognition as a legal political party, but U Nu, who is scheduled to return as prime minister late this month, may be willing to work out a settlement.

[Redacted]

POLITICAL INSTABILITY IN HAITI Page 14

Provisional President Franck Sylvain is faced with a serious division in the political ranks of the country, disunity within the army, and an economic crisis. Civil disturbances are possible.

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BATISTA'S HOLD OVER CUBA WEAKENING Page 15

President Batista's continuing failure to check terrorist and revolutionary activities which began last November may lead him to adopt increasingly harsh repressive measures, and may undermine the armed forces' loyalty and the government's stability. [redacted]

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NORTH KOREAN ECONOMIC DEVELOPMENT Page 15

North Korea has, with Sino-Soviet bloc aid, successfully completed its three-year rehabilitation plan. Most industries--except the power, chemical and petroleum industries--have been restored to the 1949 level of output, which was, in most cases, the highest level achieved under the Communists. The ambitious first Five-Year Plan (1957-61) calls for the restoration of over-all industrial production to at least the level reached under the Japanese, but Sino-Soviet bloc assistance will be required to achieve plan goals. [redacted]

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PART III

PATTERNS AND PERSPECTIVES

THE PRESENT POSITION OF THE FRENCH GOVERNMENT Page 1

Premier Mollet, who is scheduled to visit Washington late this month, is attempting to strengthen France's international position by developing closer ties with its European neighbors and by trying to work out new political and economic relations with its African territories. Mollet's political future will depend on his ability to find a solution in North Africa satisfactory to French rightists and to cope with growing inflationary pressures. [redacted]

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POLITICAL UNREST IN WEST AFRICA Page 3

The growth of nationalism among the 60,000,000 people in the British and French colonies of West Africa is leading London and Paris to readjust their relationship to these areas. Britain, in line with its policy of developing independent status for its colonies, will grant independence to the Gold Coast on 6 March; a change in Nigeria's colonial status is probable in May.

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France faces demands in French West Africa, Togo, and the Cameroons for local autonomy and a new concept of the French Union in which the overseas areas would have political equality with metropolitan France. [redacted]

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GROWING JAPANESE INTEREST IN THE MIDDLE EAST Page 6

Japan has begun a campaign to gain economic and political influence in the Middle East in line with a new policy which calls for closer relations with the Asian-African nations. The Japanese program emphasizes joint business ventures, technical assistance, good-will exchanges, and proposals for the development of resources. The Japanese hope eventually to attain a position of leadership in the Asian-African bloc. [redacted]

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COMMUNIST CHINA'S POPULATION PROBLEMS Page 7

The Chinese Communists face the problem of how to feed and clothe a population which is now growing at the rate of 10,000,000 a year and at the same time devote increasing amounts of the national income to investment. Peiping's former view that its huge population is its greatest resource is being replaced by recognition that the steadily increasing rate of population growth threatens fulfillment of economic plans. Although the authorities now endorse birth control, programs under consideration are probably inadequate to reduce the birth rate in the next decade. [redacted]

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EUROPEAN SATELLITE AIRCRAFT PRODUCTION IN 1956 Page 10

The East European Satellites during 1956 produced a total of 1,600 aircraft, about 19 percent of Soviet bloc production in numbers but only about 7 percent of the total by airframe weight. Of the 1,600 planes, Czechoslovakia produced approximately 65 percent and Poland 25 percent. [redacted]

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Part I

OF IMMEDIATE INTEREST

MIDDLE EAST DEVELOPMENTS

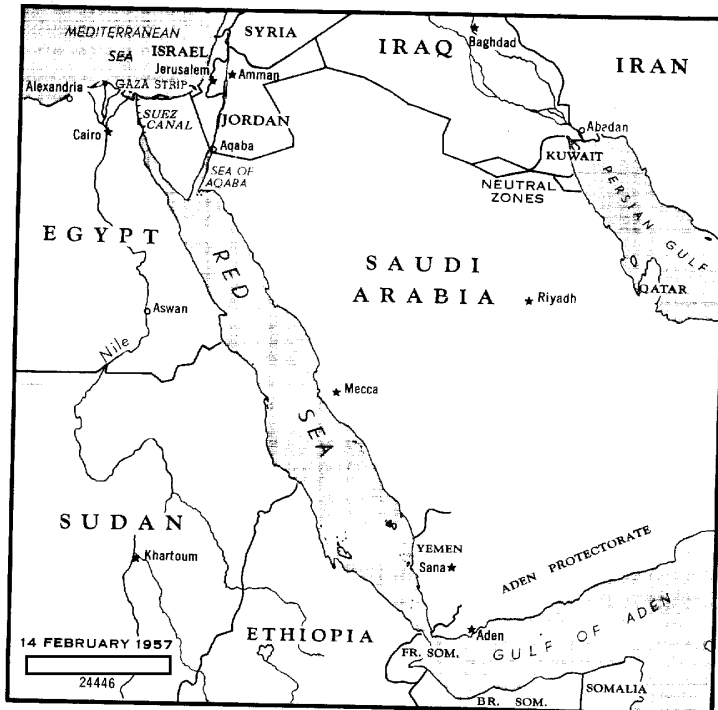
Egypt-Israel

Israel, not wanting to bear the onus for rejecting the American proposal on the questions of navigation of the Gulf of Aqaba and withdrawal from Gaza, has delayed its official reply and thereby succeeded in having Egypt express its disapproval first. Egyptian propaganda media have attacked the proposal on the ground that it rewards Israeli aggression.

The Israeli attitude was forecast by remarks by Israeli foreign minister Meir, as reported by the Canadian foreign minister, to the effect that the gulf question could be worked out if the American proposal were formalized by a declara-

tion in the UN General Assembly, but that Israel had no intention of withdrawing its civil administration from Gaza. The Israelis--and Britain and France--are clearly hoping to extract still better offers from the United States, meanwhile playing for time in the belief that sentiment in the UN is swinging further in their favor.

Israel's principal political parties have staged mass rallies to support the government's stand, and high Israeli officials have made sure that reports that the government was engaged in heavy budget cutting in anticipation of UN sanctions came to the attention of the American embassy, moves obviously designed to impress foreign



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observers with Israel's determination to stand fast.

Egypt-Suez

Israel's stand-pat attitude has produced another spate of threats from Cairo to halt clearance work on the canal. Ali Sabri, one of Nasr's principal advisers and spokesmen, argued last week that such action might be the only politically feasible alternative to Egypt's undertaking some kind of military action to oust the Israelis. He asserted that once the canal is cleared, the Egyptian public would demand such action, since it would otherwise appear that Israel's aggression had been rewarded and that Egypt had yielded to pressure.

On 13 February General Wheeler, the chief of the UN salvage operations, announced that unless his workers were allowed by Egypt to start clearance of the tug Edgar Bonnet "pretty soon," he would have to revise the 10 March deadline for clearing the canal for ships up to 10,000 tons. It has been estimated that it will take 10 to 15 days to clear the tug from the channel after work has been started.

London, meanwhile, is eager to see canal operations restored.

The British UN delegate has repeated, however, that his government cannot accept Egyptian ownership as a basis for talks, nor can it agree that tolls should be paid to Egypt, although it would be "quite happy" to see the proceeds of toll payments divided evenly between Egypt and the International Bank. Paris' position on these subjects is close to London's. The American embassy believes that while the French will settle for much less than previously, they continue to hope that something will be salvaged, at least in connection with toll payments.

Syria

Syria last week refused to grant the Iraq Petroleum Company permission to repair the sabotaged oil pipeline, basing the refusal on an alleged request from Nasr to keep the line closed until the Israelis withdraw. This would appear to confirm previous impressions that Damascus' policy in this respect is made in Cairo; however, it is possible the Syrians are using Nasr as a convenient scapegoat for their own reluctance to offend leftist nationalist sentiment by making any concessions to Western wishes.

This Syrian attitude may also stem from a desire by the controlling army faction to perpetuate a sense of emergency in order to justify the maintenance of martial law. The same motive is believed to play a part in the continued tension on the Syrian-Israeli border. New

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incidents were reported last week from the Lake Tiberias area, and a "secret order" allegedly has been issued to Syrian troops to fire on Israeli boats whose occupants seem bent on landing on "Syrian" soil. The American army attaché has reported Israeli ground force activity as minimal.

Jordan

An announcement on 13 February stated that agreement had been reached for termination of the Anglo-Jordanian treaty by 1 March "if possible," but no later than 1 April. The 2,000 British army and air force troops in Jordan will be withdrawn by 1 October. Jordan is reported to have agreed to return or pay for military equipment taken from British installations, and to permit withdrawal of other British military stores. Termination of the treaty may accelerate developments which could lead to the collapse of King Hussain's regime.

Arab nationalist and left-wing elements in Jordan, led by the Nabulsi government, have Egyptian support and appear to be supported by the Jordanian masses. There is no indication that the king has an organized personal following among the public. In any showdown, therefore, the king's chances of success would depend on support of the army, where nationalist views are gaining strength and some officers are demonstrating political ambitions.

Because of uncertainty over the position of the army, the king may be deterred from attempting to bring about a showdown. The nationalist forces on the other hand may also not wish a showdown for fear of foreign intervention. Although these factors may defer an early change, Hussain is in serious danger of having his power to control the situation progressively nibbled away by the pro-Egyptian nationalists. [redacted]

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SOVIET FOREIGN POLICY AND DIPLOMATIC ACTIVITY

Soviet foreign minister Shepilov's foreign policy report to the Supreme Soviet reaffirmed the general lines of Soviet policy laid down at the 20th party congress a year ago and gave further evidence that the Soviet leadership hopes to recover the prestige it lost as a result of the Hungarian uprising. The USSR also released a series of notes to the United States, Britain and

France on 11 February proposing various multilateral approaches to the problems in the Near East and complained the next day to the UN General Assembly of "provocative" acts by the United States.

Shepilov emphasized that peaceful coexistence remains the "cornerstone of Soviet foreign policy" and is not merely a political maneuver.

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He pledged that the USSR would continue to display "the greatest self-control, patience, and persistence," and that it "will not fall for any provocations." He said that events in Hungary and the Middle East had proved that "war is not fatalistically inevitable."

Shepilov warned the West that in the face of Sino-Soviet unity and power it had only one choice: to give up all intentions of "rolling back Communism." He charged the West with seeking to divide the Communist world by trying to spread the doctrine of "national Communism," and with spending "huge sums of money on espionage and subversion" against the bloc states.

In discussing the Middle East, Shepilov revealed the six-point plan presented in the notes to the United States, Britain and France, but largely ignored the new American proposals for the area. The notes are consistent with the Soviet determination to prevent any unilateral intervention in the Middle East, either by the three Western powers in concert or by the United States alone.

The note to the United States stated that the situation in the Middle East had recently become "seriously exacerbated" owing to the intentions to use, "in a unilateral manner and without United Nations agreement, the armed forces of one of the great powers at its own discretion for intervention in the internal affairs of this

region." The general principles of the policy of nonintervention, according to Moscow, could form the basis of a joint declaration which would guide the policies of the great powers and "exclude the possibility of dangerous unilateral actions."

A Soviet note of 6 February blaming Israel for the "annulment" of oil contracts was the first sign of the USSR's determination to renew its diplomatic and propaganda activity in the Near East. The note, which was in reply to an Israeli protest on 28 December against Soviet suspension of shipments of "crude oil and pipes" in early November, said Israel's "aggressive actions against Egypt" made it impossible for the USSR to honor these contracts.

Although propaganda attacks on Israel were reduced recently, Moscow's anti-Israeli line is apparently to be renewed as part of its attack on the American proposals. Moscow propaganda continues to point to strong American backing for the "Zionist rulers" of Israel, charging that they were "performing their tricks on the brink of the abyss."

In a letter to the president of the General Assembly on 12 February, Soviet deputy foreign minister Kuznetsov complained of the American proposals as militarily provocative and economically enslaving and asked that the General Assembly endorse these Soviet charges.

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PART II

NOTES AND COMMENTS

THE SUPREME SOVIET MEETING

At the Supreme Soviet session which ended on 12 February, the state budget, economic plans (see Weekly of 7 February, Part I) and Soviet foreign policy lines were considered. Also approved were certain measures to carry out the 20th party congress program providing for administrative decentralization and for correction of abuses of the Stalin period. Pursuit of these objectives had been held in abeyance since the beginning of the Polish and Hungarian crises last fall. The Soviet leaders apparently feel that their "liberalization" program is essentially sound despite the rising tide of domestic political criticism and strains in the Communist world, both of which were, in part, a result of the initial phases of that program.

The responsibilities of the 15 constituent republics within the USSR were broadened by devolving on them rights formerly within the exclusive province of the central government. For the first time since 1936, the republics may now compile their own codes of law, with the proviso that they conform to "general principles" established by the central government.

The republic supreme courts also gained in a revision of the Soviet court system. The original jurisdiction of the USSR Supreme Court was restricted to cases involving espionage and the court's principal function hereafter will be to give advisory rulings to lower courts and investigative organs on the application of laws in court cases. The Supreme Soviet elected a new Supreme Court, reducing its

membership from 78 to 27, of which only 12 are elected by the Supreme Soviet, the other 15 being the chairmen of the republic supreme courts.

The Supreme Soviet also granted to the union republics the right to make changes in their internal administrative-territorial structure except those involving republics and autonomous oblasts.

In other actions, the Supreme Soviet approved legislation already passed by its Presidium, including some previously unpublished measures. The most significant of these concerns what Khrushchev in his secret speech to the 20th party congress termed the "monstrous and rude violation of the basic Leninist principles of the nationality policy of the Soviet state"--the mass deportation of whole nationalities from their native places.

By a decree of 9 January 1957, national autonomy was restored to five of these nationalities and provision made for their return to their former homelands. This will involve a two-way, perhaps three-way, resettlement operation. Most of the rehabilitated peoples have been living in central Asia and their places will presumably have to be taken by settlers from other parts of the USSR. The present inhabitants of the former homelands of the restored nationalities will also have to be moved. The entire resettlement process is scheduled for completion during 1960.

No mention was made in the decree of the Volga Germans and Crimean Tatars and they are

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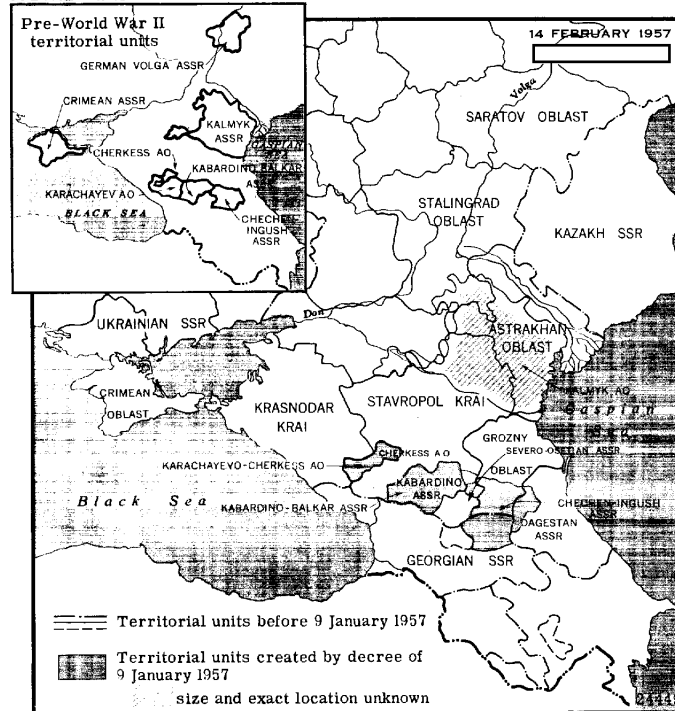
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presumably still on the proscribed list.

An economic commission was formed by the Soviet of Nationalities, one of the co-equal houses of the Supreme Soviet. Khrushchev had proposed this at the 20th party congress in February 1956 as an aid in improving the economy and culture of the national republics. The new commission is composed of two members from each constituent republic.

The sessions of the Supreme Soviet went further in presenting the appearance of democracy to Soviet citizens and the world than any since the first in 1938. At that time the delegates had not yet learned that the "democracy" set forth in the new Stalin Constitution was to be only a facade for dictatorship. The facade was continued, but more careful

HOMELANDS OF REHABILITATED NATIONALITIES



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attention was paid this time to the staging, which included many of the trappings of democratic legislative action such as interpellations, criticisms of policies, and proposals for changes, some of which were "voted" into effect.

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REACTIONS TO AMERICAN-SAUDI COMMUNIQUE

The press in Iraq and Lebanon has given prominence to the communiqué issued in Washington following President Eisenhower's talks with King Saud, while Egyptian and Syrian newspapers have ignored it.

In Iraq and Lebanon the communiqué is cited as evidence of the bankruptcy of Egyptian policy; the Iraqi radio in particular takes a self-righteous tone, welcoming what it claims is Saud's adherence to policies long advocated by Baghdad.

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Egyptian president Nasr reportedly feels Saud has gone too far in his approval of American policy, and that the king should have been more restrained in his statements, at least until the meeting of Arab leaders scheduled for 23 or 24 February in Cairo.

Egyptian press treatment of the visit and communiqué has ignored statements by Saud which are patently favorable to the United States; Cairo's newspapers have used the device of special interviews, allegedly between their correspondents and the king, which emphasize themes Cairo favors in order to distract attention from the

less favorable aspects of Saud's trip. So far, however, no direct attack on Saud has appeared.

Syrian officials declined to comment on the communiqué, claiming they had not received an official text. It has since been reported that the Syrian censors have banned editorial comment on the announcement. The Damascus press previously avoided reference to Saud's statements supporting American policy in the Middle East, concentrating on the king's announcement that he would discuss his visit's results with other Arab leaders. [redacted]

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SOVIET BLOC ECONOMIC OFFENSIVE IN EGYPT

Soviet bloc countries are continuing to contract with Egypt for industrial and military projects and to supply vital imports in their campaign to dominate the Egyptian economy.

Most of this activity has been limited to increased trade and the sale of military equipment. Both the USSR and Czechoslovakia are reported to have offered Egypt financial and technical assistance for its five-year economic development plan. Implementation of Soviet bloc economic, in contrast to military aid, however, has been extremely slow. Total bloc credits extended for the few projects under construction are estimated at only \$5,000,000.

Deliveries of bloc arms and military equipment made during 1955 and 1956 under credits estimated at \$250,000,000 have obligated a substantial part of Egypt's cotton crop.

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[redacted]

Egypt's trade with the bloc--excluding arms shipments--rose from 15 percent in 1955 to more than 22 percent during the first nine months of 1956. Bloc deliveries of petroleum and foodstuffs were stepped up in late 1956.

The Soviet Union is now the major supplier of Egypt's

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two largest imports--petroleum and wheat. In September 1956 the USSR contracted to provide Egypt with 400,000 tons of wheat--two thirds of its import requirements for a year. Egyptian imports of Soviet petroleum during 1956 totaled 1,162,000 tons, a 150-percent increase over 1955 imports. A Soviet-Egyptian agreement announced in January calls for a doubling of trade to \$60,000,000 in 1957.

The bloc now apparently will be the largest purchaser of Egypt's current cotton crop, which has been the source of 85 percent of Egypt's foreign exchange. In late January Moscow was believed to have had already purchased 50,000 tons--the largest transaction ever concluded on the Egyptian cotton market. The USSR reported-

ly paid in dollars for 38,000 tons of this cotton at a 21-percent discount.

This report suggests that while Moscow continues to lend its political weight to support Cairo, it is, in fact, taking advantage of Egypt's growing economic plight. Egyptian consent to this deal presumably arises from the acute foreign exchange shortage and the withdrawal from the Egyptian market of the major free world customers. This latest purchase is in line with estimates that the Sino-Soviet bloc will purchase 50 percent of this year's crop. Bloc purchases of the 1955-56 crop accounted for about one third of the total crop, with Czechoslovakia taking the largest share. [redacted] (Prepared by ORR)

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INDIAN NATIONAL ELECTIONS

The important issues in the Indian national elections--starting on 24 February--are almost all domestic. The Congress Party, the only one contesting practically all the seats in parliament and at state levels, is expected to emerge with control of the parliament and most state governments. Popular apathy has been reported from several states and voting may be lighter than in 1952. Candidate lists apparently are still not generally available and the average voter is probably confused as to what candidates are running. There will probably be many more close fights than in 1952.

No opposition party has presented enough candidates singlehandedly to take control

of parliament, but some have a chance of defeating the Congress Party in individual states--

COMPOSITION OF INDIAN PARLIAMENT
(1952)

PARTY	SEATS
CONGRESS PARTY	364
SOCIALIST PARTY	12
KISAN MAZDOOR PRAJA PARTY	9
COMMUNIST PARTY	16
JAN SANGH	3
HINDU MAHASABHA	4
PEASANTS AND WORKERS PARTY	2
FORWARD BLOC	1
PEOPLES DEMOCRATIC FRONT	7
GANATANTRA PARISHAD	5
AKALI DAL	4
"OTHERS" (11 parties)	24
INDEPENDENTS	38
	489

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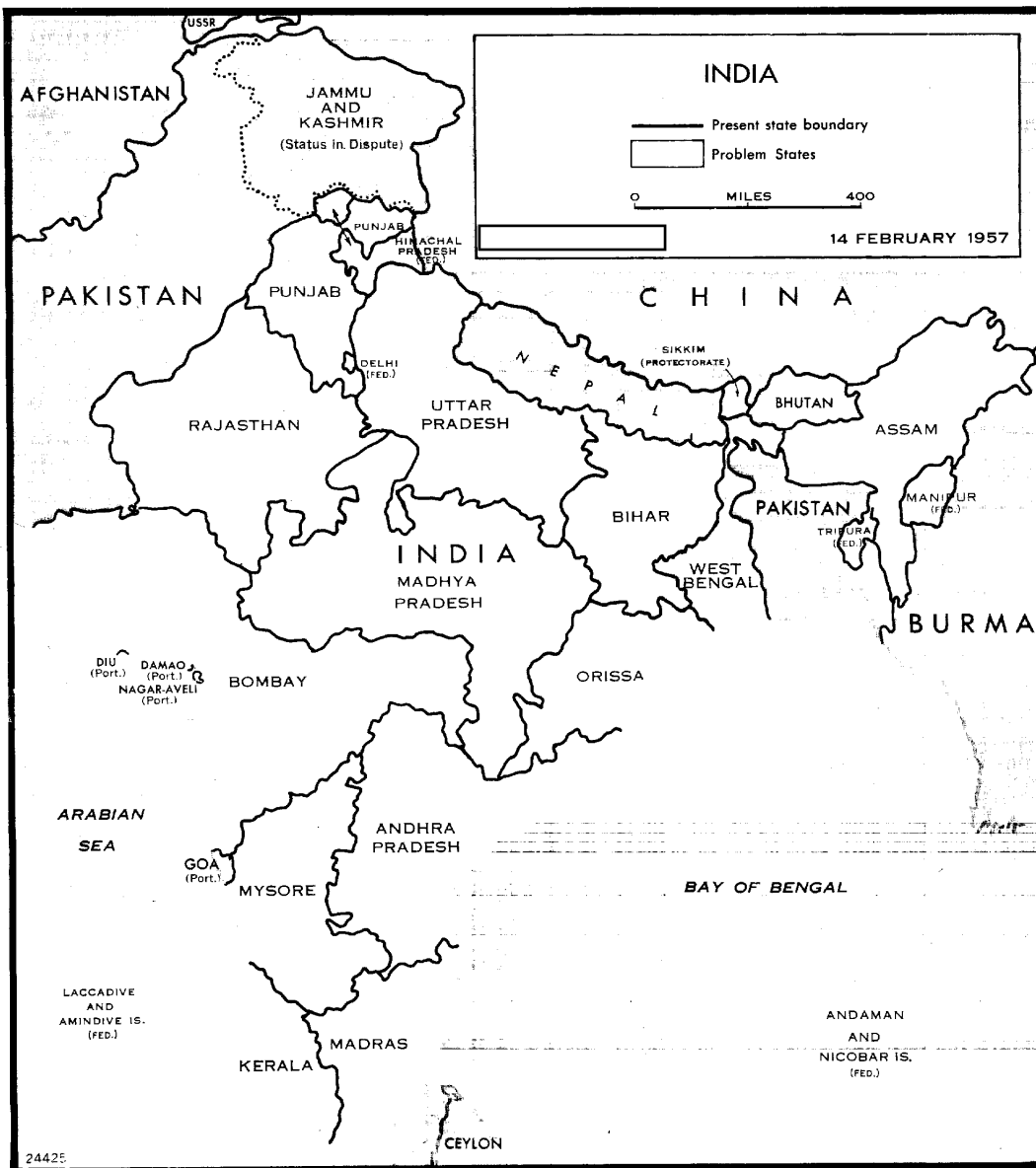
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e.g. the Communist Party in Kerala and the Jan Sangh in the Punjab.

The Communist Party and pro-Communist People's Democratic Front are contesting about 107 of 494 parliament seats and about 716 of the approximately 3,000 state assembly seats.

In Kerala, the opposition has apparently failed to reach

electoral agreements, since 43 opposition party candidates--including 15 Communists--and 12 independents are running for the 18 parliamentary seats. In Madras, where all opposition parties are weak, the appearance of a large number of independents to contest the 41 parliamentary seats suggests that the reported revolt of Congress Party members is serious. This may reduce the anticipated Congress victory. In the Punjab,



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the opposition vote seems likely to be split, since there are 16 Jan Sangh, 11 Communist, 28 independent, and 7 "other" candidates for the 22 seats.

State Assemblies

According to the limited information available, the Congress Party is regarded as sure to win control of the state governments of Punjab, Rajasthan, Uttar Pradesh, Madhya Pradesh, Bihar, Assam, Andhra, Mysore, and Madras.

Recent information suggests, however, that a group of rightist parties in Rajasthan has prepared a joint list of candidates and may run stronger than originally anticipated. The size of the Congress contingent in the state assemblies of Bihar and Madras may also be cut by the election of some dissident Congress members who are running as independents.

In Andhra, the Communists and leftists are running much weaker than in 1952. With the assured election to the Andhra assembly of four Congress Party members who are unopposed, Congress is already only one seat short of an absolute majority in the state assembly.

In Assam, gains made by a limited electoral front of leftists may be offset by the Congress Party's manipulation of candidates and ballots from the administratively disorganized Naga Hills areas, which have been in revolt against the government for over two years.

A Congress victory is less sure in the states of West Bengal, Orissa, Kerala and Bombay. In West Bengal, the Congress Party faces a single slate of opposition candidates, but may win by a narrow margin

because of its active campaigning. The Congress Party seems likely, however, to face strong leftist opposition in the state assembly for the next five years.

In Orissa, the picture is unclear. The rightist Ganatantra Parishad in the interior may make a good showing as it did in 1952, but opposition electoral alliances in the coastal areas have not materialized. Congress victories there may make up for losses farther inland.

In Kerala, all sources, including Congress Party leaders, agree that no party will win an absolute majority. Considering previous difficulties experienced with coalition government here, there is a good chance that president's rule--direct administration from New Delhi--now in force in the state will be continued after the elections.

In Bombay, the Congress Party faces a united opposition and a jointly agreed slate of opposition candidates in much of the state. A solid Congress victory here will depend on the ability of the strong Congress areas of Saurashtra and Vidarbha to make up for losses in Maharashtra, Bombay city and Gujerat.

Popular apathy has been reported from Bombay, Madhya Pradesh, Mysore, and Andhra states, probably because of the confusion resulting from the reorganization of state boundaries and the delay in selecting party candidates until late January. This apathy may hurt the Congress Party more than the opposition, most members of which have apparently been working harder during the pre-election period than have Congress Party adherents. [REDACTED]

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THE NENNI SOCIALIST CONGRESS

At the national congress of the Italian Socialist Party from 6 to 11 February, Secretary General Pietro Nenni largely achieved his first objective of getting broad party support for independence from the Communists and reunion with the Democratic Socialists. The party reaffirmed Nenni as secretary general and gave him control of the executive committee, but his supporters are reported outnumbered on the two policy-making bodies, the directorate and the central committee. Nenni thus seems to have won general support for his goals but only limited freedom of action in moving toward them.

The congress almost unanimously approved a resolution aimed at a merger with the Democratic Socialists. Various speeches condemned Soviet actions toward Hungary and Poland and expressed a desire for the party to be clearly independent of the Italian Communists, "although not anti-Communist." This is in sharp contrast to the party's slavish subordination to the Communists in 1955.

However, the congress called for the continued participation of Socialist labor groups in the Communist-dominated Italian General Confederation of Labor. Furthermore, while agreeing to accept the Italian government's "pro-Western" foreign policy, it urged the establishment of a neutral zone down the center of Europe from Sweden to the Mediterranean.

Nenni's surprisingly poor showing in the balloting for the central committee--27 out of 81 seats--is attributed to fear of party functionaries who had opposed Nenni on the reunification question, that he would be strong enough to purge

them and to a desire on the part of rival leaders to prevent Nenni from going too far in concessions to the Democratic Socialists. A left-wing leader won 31 seats to Nenni's 27, and it was only after night-long negotiations that Nenni was able to announce he had been "pledged enough support to hold his leadership of the party" and that he would maintain the party's pledge for reunion with the Democratic Socialists.

The response of the Democratic Socialists to the congress has so far been mixed. Their leader, Guiseppe Saragat, has angrily denounced Nenni



NENNI

in the party newspaper, asserting that the vote for the central committee showed that "70 percent of the party is still pro-Communist." Reunification sentiment in his party has been so strong, however, that there is a widespread expectation of growing de facto co-operation among the rank and file of the two parties despite his opposition. The Democratic Socialist central committee is scheduled to meet on 15 February to discuss the party's next move.

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IDEOLOGICAL NONCONFORMITY CONTINUES TO PLAGUE USSR

Ideological heresy and disaffection among various elements of Soviet society, particularly students, continues to plague the Soviet regime, although there are indications that official disapproval and fear of repression may have silenced some outspoken critics of Soviet policies. While the harsh language employed by the regime to counter "unhealthy" behavior is often reminiscent of the Stalin era, administrative measures appear to have been limited to warnings, occasional expulsions from the party and schools, and dismissals of some individuals from their jobs.

For the present the regime appears reluctant to resort to any wholesale repressive measures which would mean the reversal of basic policies laid down at the 20th party congress.

Ideological nonconformity appears to be fairly widespread and has cropped up in the armed forces and the party, but the best available information concerns ferment among students. The regime has recognized that one of the reasons for its failure to maintain influence over the students is the inadequacies of many of the individual political agitators. There is evidence that better trained, more sophisticated lecturers are now being assigned to student meetings.

Students make no attempt to hide their scorn and disgust for the lecturer who mouths the time-worn phrases of the party line. Attempts to resort to slogans of "capitalist encirclement," "cult of personality" or "past mistakes" when answering students' questions are invariably met with derisive laughter.

In one recent case, however, the lecturer, in discussing "socialist realism," avoided the official jargon and even expressed slightly unorthodox opinions spiced with some off-the-record information. He did not attempt to impose the party view on the students but tried to explain the party's position without discouraging independent thinking.

Another specific measure taken by the regime involves the Satellite students studying in Soviet universities. These students apparently asked embarrassing questions about Soviet actions in Eastern Europe and were often sought out by Soviet students dissatisfied with the paucity of information in the Soviet press. Most of the Hungarian students were sent home at the end of 1956.

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Despite these measures, ferment among student groups apparently continues. A Western newsman attended a recent meeting at the Moscow State Institute of Theatrical Art which from the viewpoint of the regime was a dismal failure. The meeting was arranged to discuss a controversial article in Questions of Philosophy, entitled "On the Backwardness of Dramaturgy and the Theater." Despite the fact that this article had been criticized by both Pravda and Izvestia as a

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"clumsy attempt to prove the uselessness of party directives on art," student after student arose to defend the article and demand freedom for the artist.

A particularly agitated youth remarked to one of the authors of the Pravda article who was present at the meeting, "the time when theaters were closed and works banned is finished forever. One can no longer work like that. The

entire system of party directives on art has failed completely."

One student attempted to defend the party's viewpoint and harangued the group for "these unpatriotic expressions just at the moment when reaction is raising its head." This remark was met with laughter in the hall, and a girl sitting near the Western official muttered, "There is a monster in every family."

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KREMLIN MANEUVERS TO UNDERMINE GOMULKA

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[Redacted] Gomulka has moved cautiously to counteract the Natolins and is depending on his substantial popular support to maintain his position in the regime, while he prepares to remove some Stalinist officials remaining in the government. The Natolin group meanwhile is attempting with direct Soviet support to seize control of key posts on the lower levels of the party.

be announced after the new Sejm meets on 20 February. Soviet ambassador Ponomarenko is reported to be actively supporting Stalinist elements.

Gomulka apparently intends to concentrate his efforts on cleaning up the government before turning to the problem of party factionalism, and has reportedly postponed, at least until fall, the party congress originally scheduled for late March. Gomulka apparently thinks his party problem is too monumental to tackle at the moment--he is said to believe that some 80 top party officials are Natolin adherents.

Soviet backing of the Natolins has become apparent in several ways, including evidence that the embassy in Warsaw is acting to install Stalinists in local party posts and that it supplied leaflets fomenting anti-Semitism and denouncing Gomulka candidates to the Sejm in the 20 January elections. Gomulka is convinced he must act soon to oust Stalinist officials from the government, and a ministerial reshuffle will probably

Stalinist ministers in the Cyrankiewicz government who will probably be removed soon are Deputy Premier Nowak and the ministers of the chemical industry, internal trade and communal economy. The latter, Kazimierz Mijal, recently attacked Gomulka openly for his agricultural policy, reportedly at Ponomarenko's instigation. Gomulka recently appointed former party first secretary Ochab as minister of agriculture in a move to enforce his liberal

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program in the rural areas, where local party functionaries have been reluctant to introduce his reforms.

Gomulka is reported to have assigned Roman Zambrowski,

a politburo member, to deal with the Stalinist problem in the party. Party liberals appear dissatisfied that Gomulka is not addressing himself to the party problem more vigorously.

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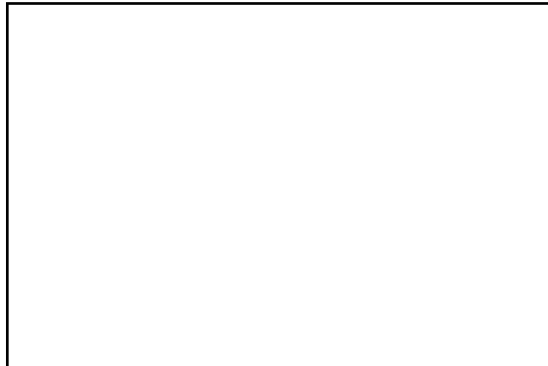
EAST GERMANY TO CONTINUE HARSH MEASURES

Party first secretary Ulbricht and other leaders of the East German Socialist Unity (Communist) Party (SED) at the 30th plenary meeting of the central committee last week called for loyalty to orthodox Communism and tough disciplinary measures to cope with ideological deviation and opposition to the regime. Opposition was admitted to have reached dangerous proportions within the party and among the East German intelligentsia.

Party first secretary Ulbricht set the tone of the meeting in a speech calling for the continued application of orthodox Communism to meet the party crisis created by de-Stalinization. After the Soviet 20th party congress, opposition to the East German regime intensified within the SED, not only in intellectual and university circles, but among the rank-and-file members, Ulbricht's bitter recital of ideological failings, non-conformity, and general laxness was a powerful indictment of the East German party and probably accurately represents its actual condition.

Ulbricht admitted that Stalin's denigration had led to undesirable tendencies toward liberalization and antiparty trends in some of the Satellites and that this had had unsettling effects in East Germany. Ref-

erences by Ulbricht and politburo candidate Erich Honecker to "certain experiments in Poland" and "differences of opinion" with the Polish Communist Party substantiate reports that SED leaders regard Poland as one of the key sources of deviationist ideas in East Germany.



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are convinced that the Polish developments are more dangerous to the SED than the Hungarian revolt because of the attraction which Gomulka's attitude holds for East German workers and intellectuals.

Meeting the question of national Communism head-on, Ulbricht admitted the existence of the concept within the Soviet bloc and condemned it as heresy because "it contradicts the whole essence of Communism." He specifically rejected the "Yugoslav example" and the thesis of a "special German path" to socialism. He accused the Yugoslavs of "revisionism,"

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and charged that they are trying to undermine the Communist governments in Eastern Europe.

In an attempt to stamp out heretical ideas and enforce party discipline, the Party Control Commission was directed to give primary attention to the "defense and solidification of unity and purity of the party." A central committee directive called for party action against members who "introduce hostile interpretations into the party, slander leading members of the party, develop fractional activity, sabotage party decisions, and thereby seek to undermine party unity."

In an effort to rebuild party unity, three representatives of divergent party elements were admitted to the central committee: former politburo member Franz Dahlem, once Ulbricht's principal rival

within the party, ex-Berlin party boss Hans Jendretzky, and leading intellectual Alexander Abusch.

This gesture of appeasement to the restive intellectuals, however, does not necessarily mean that their demands for more freedom will be met. Dahlem and Jendretzky have shown by their recent actions that they have been coerced into supporting the Ulbricht line and will not lead a liberal movement within the SED. The regime may still not wholly trust them and may have admitted them to the central committee in order to keep close watch over their activities. Furthermore, the party's uncompromising attitude toward ideological independence has been clearly demonstrated by recent arrests of dissident intellectuals and students. [redacted]

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UNEMPLOYMENT IN BULGARIA AND RUMANIA

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Bulgaria and Rumania are faced with serious unemployment problems. As much as 9 percent of Bulgaria's nonagricultural workers are unemployed. Sofia announced that some 20 percent of its government employees were laid off in 1956 and that reduction of another 30 percent is scheduled during the next three years. [redacted]

[redacted] government ministries will be reduced in size in the near future, involving the release of 40,000 officials and workers. Dismissals have also been reported by the textile industry and railroads.

The two governments are considering the transfer of some of their unemployed to the Soviet Union, Hungary and Czechoslovakia. Bulgaria wants to send 15,000 to the Soviet new

lands area on a "temporary" five-year basis and a like number to Czechoslovakia [redacted]

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[redacted] The Soviet Union has reportedly agreed to the arrangement. In late January a Rumanian official assured workers about to be dismissed from the construction industry that jobs would be available in the USSR or in reconstruction work in Hungary, although Hungary is not known to have requested laborers from Rumania.

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A group of 120 Bulgarian agricultural youths returned from harvest work in the Soviet new lands area last fall, and will probably be used to propagandize this program. Although Rumania did not participate, Polish, Czech and East German groups also helped with this harvest. These were probably

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pilot groups to determine the feasibility of sending surplus agricultural labor from one Soviet bloc country to meet demands of another.

Although the Soviet Union, with its shortage of labor in the new lands area, could undoubtedly absorb a considerable number of workers from Bulgaria and Rumania, it seems doubtful that many Balkan workers would leave voluntarily for a five-year period. Transfer to Czechoslovakia or Hungary might be more attractive to those who are interested in fleeing to the West but, possibly as a means to curtail defections, Rumania reportedly would send only men over 35 years of age to Hungary and those under 35 to the USSR.

Czechoslovakia is reported to be insisting that Bulgarians who transfer there be allowed to seek permanent Czech citizenship without interference from

the Bulgarian government. Under present conditions, it seems doubtful whether Hungary will accept unskilled labor from outside the country.

There are no reports that coercion is being used by Bulgarians and Rumanians in connection with these programs. When the subject of transfer was broached to one group of Rumanian workers, however, they reportedly replied, "Why isn't there enough work in Rumania? We are Rumanians, not Russians or Hungarians."

If implemented without undue difficulties, these plans could form a basis for a more extensive system of planned labor transfers within the Soviet bloc, but these would probably involve agricultural labor primarily. Industrial workers would be likely to be transferred only for short-term technical assistance projects. [redacted] (Concurred in by ORR)

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INDONESIA

President Sukarno continues to work energetically to set up an "advisory council." Prime Minister Ali, faced with continued resistance from non-Javanese areas, has told parliament that the cabinet will effect an "integral reshuffle." The cabinet's decision to reorganize rather than resign is probably intended both to obstruct Sukarno's plans and to avoid the necessity of forming a new government just prior to the UN's discussion of Indonesia's claim to Netherlands New Guinea.

The leaders of the National and Communist parties and the chiefs of the three armed serv-

ices reportedly have agreed to Sukarno's plan for an "advisory council," and Sukarno is making a strong effort to obtain the co-operation of the Nahdlatul Ulama (NU).

An indication of Sukarno's success in winning popular support was a mass rally on 10 February in Djakarta--sponsored by Communist and nationalist organizations--which passed resolutions in support of Sukarno's proposed program and called on the central government to take strong action against the Sumatran dissidents.

Non-Javanese provinces have largely ignored the president's

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proposals, but their known antagonism to a highly centralized government would suggest they will resist his "concept" of greater, rather than less, centralism.

The Sumatrans are attempting to establish relations with dissatisfied elements in other parts of Indonesia. Lt. Col. Hussein, who heads Central Sumatra's anti-Djakarta administration, has announced that a meeting will be organized in the "immediate future" of "all revolutionary councils throughout the country." These councils are active in such non-

Javanese areas as Borneo and the Celebes, although not in a governing capacity. Hussein warned that the councils will take "drastic steps" if the Ali cabinet continues its refusal to resign.

Sukarno has given no indication that he intends to heed the persistent provincial demands that former vice president Hatta return to a position of authority in the Indonesian government. Much less is he likely to accept Hatta's recent challenge to take personal control of the government as the head of a presidential cabinet.

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BURMESE COMMUNIST INSURGENTS PUSH FOR NEGOTIATED SETTLEMENT

The insurgent Burma Communist Party, one of three Communist organizations active in Burma, has stepped up its efforts to negotiate a settlement with the government. In his most recent letter to former premier U Nu and other leaders of the government coalition party, party leader Thakin Than Tun reportedly indicated his party was prepared to end its nine-year-long insurrection provided it was permitted to operate as a legal political party and its leaders were guaranteed against personal harm.

The Communists are supporting their drive for peace with an intensive propaganda campaign--aided by the pro-Communist National United Front. They have also staged a series of "prestige" raids on urban centers, undoubtedly designed to belie Rangoon's claims that the insurrection is about to collapse. The most sensational of these raids was a recent attack mounted

by a joint Communist-Karen force against Pegu, about 50 miles from Rangoon. Pegu had long been considered secure by government authorities. Deputy Prime Minister Kyaw Nyein admitted to the American ambassador that the raid was a severe blow to the government's prestige.

Thus far, the government has summarily rejected Communist peace overtures, and last week Prime Minister Ba Swe publicly promised that the army would continue to fight until the insurgents are defeated. There is considerable popular sentiment, however, for an end to Burma's long civil war, and the army's lack of progress against the insurgents during the current dry season may strengthen the case of those elements within the government who favor negotiations as the easiest way of resolving a serious chronic problem.

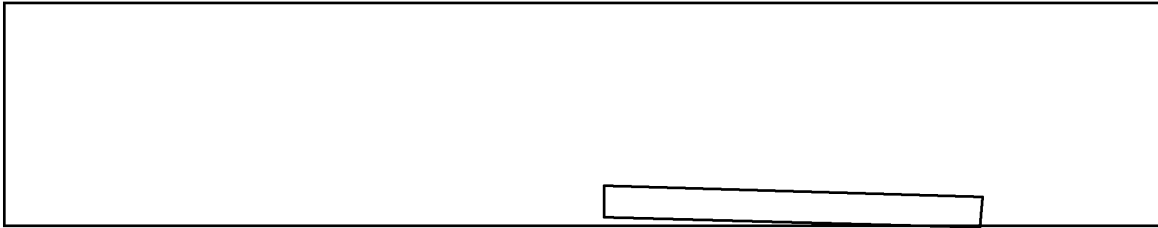
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POLITICAL INSTABILITY IN HAITI

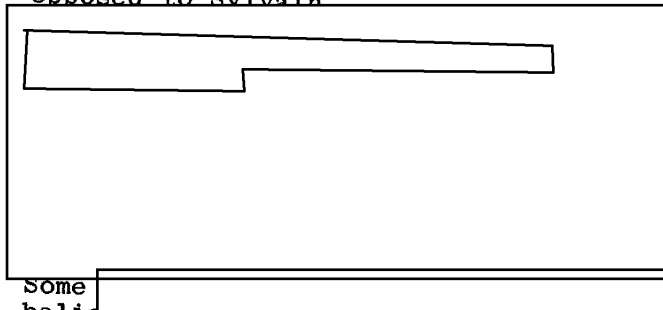
Prospects appear poor for the survival of the regime of the elderly Franck Sylvain, who was named provisional president by the National Assembly on 7 February in what many Haitians regard as a "revolutionary" action. Continuing instability is aggravating the already severe economic and financial position of the country and serious civil disturbances are possible.

The third change in government in two months was brought about on 3 February by the resignation of provisional president Pierre-Louis, following cabinet resignations, increasing criticism of his government, and threats of a general strike. A general strike had forced dictator Magloire out in early December. Opposition to Pierre-Louis had developed over his delay in setting a date for presidential and senatorial elections and failure to obtain enactment of electoral reform laws and laws sequestering the assets of members of the former administration.

The assembly's departure from constitutional procedure in naming Sylvain apparently was dictated by army chief of staff Cantave in collaboration with all presidential candidates except Louis Dejoie. Sylvain, who had been fired from the Supreme Court in 1956 by Magloire, withdrew his candidacy for the permanent executive position. A renewal

of the general strike, called off by Dejoie, remains a possibility. A strike is continuing in part in three cities of the south, where people apparently are firmly opposed to Sylvain.

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Some believe Jumelle is deliberately accepting support from a few suspected local Communists, and the American embassy notes an increasing similarity between his actions and Communist tactics.

The army apparently was split over the constitutional issue, and Cantave's political maneuvering has resulted in the disaffection of many influential officers. The consensus in Port-au-Prince is that the assembly's action was a power play engineered primarily by Jumelle and Cantave, who also served under Magloire.

The American embassy comments that unrest in Haiti is likely to continue at least until a permanent president and a new senate are elected; it as yet sees no strong man or combination of strong men with sufficient power or appeal to maintain continuous order.

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BATISTA'S HOLD OVER CUBA WEAKENING

The weakness of Cuban president Batista's regime has become apparent in its inability to halt terrorist and revolutionary activity in spite of the prolonged suspension of constitutional guarantees and the use of extreme repressive measures. An opposition legislator has predicted that Batista will be ousted before June if present trends continue and other sources have warned of new attempts against the government.

Terrorism has persisted throughout the island since the revolutionary outbreak of 30 November 1956 in the southeastern city of Santiago de Cuba and the small invasion of Oriente Province on 2 December. Fidel Castro's "26 of July" movement probably is responsible for the terrorism, although Communists may also be taking part.

In an effort to restore order, the government on 15 January extended to the entire island a 45-day suspension of constitutional guarantees previously imposed on four of the six provinces. By late December, the generally correct behavior of the army and police had given way to some harsh repressive measures.

Under these circumstances, expressions of popular discontent have increased, and indications of additional

opposition have developed. Antipathy toward the regime, already strong in Oriente, reportedly has spread to the Havana area, where police and military interrogations are increasingly marked by brutality. The revolutionary movement seems to be getting some support from respected civic and political figures, as well as from opposition elements which had previously held aloof. These elements reportedly include a group of about 1,000 in the Havana area.

Batista's support in the armed forces may also have decreased in the past month. A significant portion of the military is reported reluctant to continue or increase repressive measures, and others are hesitant to engage insurrectionists in Oriente.

Many recent reports indicate that Fidel Castro is alive and commanding a small group of revolutionaries, numbering between an estimated 30 and 400, in Oriente's Sierra Maestra mountains, protected and fed by elements of the local population. He may be able to count on 1,000 or more other followers. A special government force is apparently making an all-out effort to neutralize this force, which includes remnants of the invading group and a number of local recruits.

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NORTH KOREAN ECONOMIC DEVELOPMENT

North Korea, with Sino-Soviet bloc aid, has successfully completed its three-year rehabilitation plan. Most industries--except the power,

chemical and petroleum industries--have been restored to the 1949 level of output, which was, in most cases, the highest level achieved under

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the Communists. The ambitious first Five-Year Plan (1957-61) calls for the restoration of over-all industrial production in the area to at least the level reached under the Japanese, but Sino-Soviet bloc assistance will be required to achieve plan goals.

Official announcements for 1956 claim overfulfillment in most sectors. Nonferrous mineral production, which has received a relatively high portion of capital investment and which will provide important exports to help finance the Five-Year Plan, exceeded the 1956 goal. Shortfalls were admitted, however, in the all-important coal industry and in the fishing industry. Certain other commodities--notably rolled steel and particular types of lumber used in construction--lagged behind schedule.

The capital construction outlay of 26.3 billion won (\$219,000,000 at the nominal exchange rate) was only 83 percent of plan. Material shortages that developed during 1956 and the chronic scarcity of trained manpower are probably largely responsible for failure to meet this goal.

Success of the rehabilitation program was directly dependent on Sino-Soviet bloc aid, which totaled over \$600,000,000 for the 1954-56 period. The Soviet aid program expired in 1956 and only about \$130,000,000 worth of Chinese and Satellite aid is now scheduled for delivery during the Five-Year Plan. Additional bloc aid has not been mentioned in connection with the Five-Year Plan, and there are other indications of

greater dependence on domestic resources in the future.

The present paucity of domestic resources suitable for export will make it exceedingly difficult for North Korea to finance the plan. Nonferrous minerals and chemicals, potentially the regime's best export products, will require extensive and expensive development before they can be exported in the necessary quantities. The vagueness of recent official references to the Five-Year Plan strengthens the view that the regime has doubts about the feasibility of the plan without additional outside help.

Food crop production reached the 1956 target after a sizable downward revision in the middle of the three-year plan. Cotton and hemp production lagged badly: this will impede scheduled increases in production of textiles, a large portion of which must now be imported. At the end of 1956, the number of agricultural co-operatives stood at 16,000, including 81 percent of the peasant households and 78 percent of total farmland.

The development of heavy industry is to continue to receive priority and in 1957 the value of production in state-operated and co-operative establishments is to increase 22 percent. Grain production will increase by only 2.5 percent, rail transportation by 2.3 percent. The regime's concern for maintaining production incentives has been reflected in wage boosts, in reduction of certain agricultural taxes, and in rather vague promises of improvements in living conditions.

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PART III

PATTERNS AND PERSPECTIVES

THE PRESENT POSITION OF THE FRENCH GOVERNMENT

Having already survived longer than most observers originally expected, Premier Mollet's government has in recent weeks somewhat improved its domestic position. Encouraged by the support it received from the United States and other Western nations in the UN debate on Algeria, the government is now making efforts to improve France's international position by developing closer ties with its European neighbors through the common market and EURATOM. Simultaneously it is trying to work out new political and economic relations with the African territories.

The success of these policies will depend in part on the government's ability to stem inflationary pressures and to retain rightist political support. Mollet's visit to Washington on 26 and 27 February may substantially assist him in this effort.

The left-of-center government, which formally represents only a little over a third of the seats in the National Assembly, has endured for over a year largely because it has followed essentially rightist policies in Algeria and because the right itself has been unable to muster an alternative government. The Paris by-election of 27 January, although primarily a victory for the moderate right, also strengthened Mollet's position, since the candidates criticizing his Algerian policy all fared poorly and Pierre Poujade, on the extreme right, suffered a crushing defeat. Rumors of a threat to the Fourth Republic, which had been on the rise for some months previous, have since fallen off.

Mollet has also profited from the good reception in

the UN of Foreign Minister Pineau's presentation of France's case on Algeria, as well as from the failure of large-scale violence to materialize in Algeria. American support in the UN debate not only strengthened the government's standing with the French public but also reduced somewhat the residual



MOLLET

bitterness felt toward the United States over the Suez question.

The UN itself continues to be a favorite target for the nationalism which has been aroused even among the moderate parties by the pressure of events since Suez. Basically, this feeling seems to reflect an intensified fear over France's declining power position.

European Integration

Frustration over the failure of its Suez policy has helped impel France to seek closer relations with its European allies, particularly through EURATOM and the common market. In the preliminary assembly debates on the common market concluded on 23 January, Mollet won a larger majority for the proposal

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than had been anticipated. Both the proposed treaties can probably obtain approval in the assembly, although business, military and agricultural interests appear to be gearing up for a second and stronger parliamentary attack. France's concern over protecting its agricultural interests and the desire to retain some freedom in the field of atomic armament have resulted in the elimination of some of the supranational features in both integration schemes.

On the other hand, Britain's new interest in a Continental free trade area tends to satisfy long-held French desires for closer ties across the channel, and further strengthens hope for a viable European community.

Relations With Africa

As indicated by Pineau's UN speech on Algeria in which he stressed the "Eurafrica" concept, France is also exploring the possibilities of closer European economic ties with African areas. Pineau's success at the UN can be expected to strengthen Mollet's hand against rightists and colons, who are increasingly concerned over his offer of free elections for Algeria. The premier probably hopes the still vague possibility of applying European capital to the exploitation of Saharan mineral wealth will make an increase in Algerian political autonomy more palatable in France.

Mollet has also taken steps to satisfy growing nationalism in Black Africa. Internal autonomy has been granted to the UN trust territory of Togo and grants of autonomy are near completion for the overseas territories composing French Black Africa. (Also see Part III, p. 3.) It is hoped in Paris that the proposed federal solution will not only appease native feelings there but

contribute toward an Algerian settlement and make a favorable impression on world opinion.

Paris seems to have given up any hopes, however, of conciliating Arab opinion in the Middle East in the immediate future. It has continued to strengthen its ties with Israel--apparently with the intent of using that country as an agent to block as much as possible any further enhancement of Egypt's position.

Military Retrenchment

Even before the news of the impending British military cuts in Germany, France was inclined to discount the Soviet threat to Europe and to seek ways of reducing its own military expenditures. Under way already is a move to reduce the financial outlay for conventional weapons and to revamp France's military establishment along lines of fewer and smaller divisions with atomic and more guided missile strength.

Plans are also under way to abandon the French air base in Laos--important though this is for SEATO's military potential and France's position in the area--apparently in order to concentrate limited resources on areas more closely related to France's primary national interests.

Economic Problems

The French economic situation, aggravated by Algerian and Suez expenses, continues precarious, with a new inflationary spiral threatening. France's trade deficit for 1956 jumped \$934,000,000 over 1955, and the rate of deterioration of its European Payments Union account appears to have increased again, with preliminary figures for January showing a \$70,500,000 loss. Finance Minister Remadier has forecast a balance-of-payments crisis by September.

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The estimated \$3 billion budget deficit for 1957 is expected to be enlarged by the tapering off of anticipated industrial expansion. There is some fear also that new wage hikes resulting from the rise in the cost-of-living index may increase the drift toward inflation. During the past few weeks, labor has appeared more restive, and wage demands have resulted in sporadic strikes among civil servants, utility workers, and airline personnel. The Communists, striving to regain the prestige lost as a result of their stand on Hungary and Suez, are making a special effort to exploit this labor unrest.

Parliamentary Difficulties

Despite his present high degree of public support, Mollet

may shortly face a new threat in the assembly. Both the rightists and the Popular Republicans continue to be restive over his offer of free elections in Algeria and his economic policies. The premier faces a call for a financial debate on 15 February and an Algerian debate as soon as the UN discussions of the subject are concluded. At the same time, there is pressure within the Social Republicans for withdrawal of their two representatives from Mollet's minority government.

Against these parliamentary threats, Mollet probably will try to wring the maximum political advantage from his visit to Washington.

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POLITICAL UNREST IN WEST AFRICA

The growth of nationalism among the 60,000,000 people in the British and French colonies of West Africa is leading London and Paris to readjust their relationships to these areas. Britain, in line with its policy of developing independent status for its colonies, will grant independence to the Gold Coast on 6 March; a change in Nigeria's colonial status is probable in May. France faces demands in French West Africa, Togo, and the Cameroons for local autonomy and a new concept of the French Union in which the overseas areas would have political equality with metropolitan France.

Gold Coast--Ghana

In preparing the Gold Coast (Ghana) to assume independence

on 6 March, Britain has successfully channeled the nationalist forces, under the leadership of Prime Minister Nkrumah, into co-operation with London.

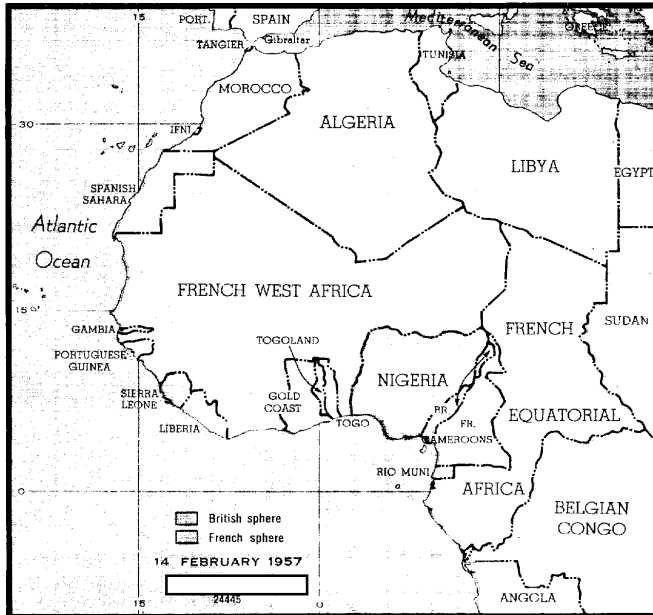
Following serious riots in Accra, the capital, in 1950, Britain began a rapid transfer of responsibility to the local government. Although this policy eased relations between London and the local government, the quick transition from traditional tribal authority to control by a political party has produced strong opposition from the hinterland leaders, who distrust parties and dominance of the government by residents of the coastal areas. Threats of secession and civil war if constitutional guarantees do not safeguard chieftain authority and extensive regional powers

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poned until May because of the government crisis in the eastern region. There, regional prime minister Azikiwe, who has been charged with financial irregularities, has called assembly elections for mid-March to secure a vote of confidence. His program of immediate self-government for all of Nigeria will probably receive overwhelming support in the eastern region and may increase his stature at London in May as the leading Nigerian spokesman.

French Black Africa

appear less serious now because the chiefs are reported to have lost much of their popular support.

The most serious test for the government is likely to be delayed until Nkrumah has lost the unifying issue of independence and has to face the economic problems resulting from a drop in world cocoa prices.

Nigeria

Deep historical and religious antipathies among the three major regions in Nigeria, and a great difference in the level of development between the backward Moslem north and the more advanced Christian-influenced south make national government for Nigeria a difficult problem.

The emirs of the north rely on London for protection and distrust the southern politicians, who have pressed for early self-government. London had promised self-government in 1956 for any region desiring it, but the conference to discuss arrangements has been post-

France is confronted with the problem of yielding enough powers to the overseas territories in time to forestall demands for complete independence, as in North Africa, and yet not surrendering too much authority, thereby encouraging autonomy and the destruction of French influence in the remainder of the colonial empire.

The basic reform law enacted by the French assembly in early 1956 was conceived to increase local autonomy and extend suffrage while preserving Paris' paramount position within the highly centralized French Union. Events are justifying some of the fears of pressure caused by African political ambitions. Many local politicians now demand territorial prime ministers and cabinets responsible to local legislatures, as well as a new federal concept of the French Union in which the overseas areas and metropolitan France would be equals.

French Togoland--Togo

Togo was selected to be a model for French reforms in

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August 1956 when Paris felt it necessary to change the UN trust territory's status following London's announcement in 1954 that it could not continue to administer British Togoland when the Gold Coast became independent. Togo then became an "autonomous republic" with its own prime minister and control over many functions of local government. However, Paris retained control over foreign affairs, defense, justice, customs and currency.

In an election in October 1956, boycotted by the opposition in southern Togo, the voters overwhelmingly ratified the new status and asked for termination of the trusteeship. The United Nations refused to terminate the trusteeship because of the "unsupervised" nature of the election and doubts that self-government was actually granted. The UN decided to send a survey mission which is to report back during the next session.

French West Africa

Politicians in French West Africa and the Cameroons, recognizing the advantages of Togo's new status, are demanding a status no less favorable. Many leaders in Dakar insist on an independent state of French West Africa associated with France in a federal union. The African demands are given added importance by the trend toward the amalgamation of small, weak parties into three major groups.

A similar movement is taking place among the labor unions. Almost all the important local organizations have

agreed in principle to merge into a single organization called the "General Union of the Workers of Black Africa." The founders believe this will become a foundation of political unity in French Black Africa.

French Cameroons

French officials in the Cameroons believe that popular unrest has reached such a point that total independence will have to be granted soon.

Political agitation has increased greatly since the riots of May 1955, which were fomented by a Communist-influenced nationalist group since outlawed. While the chiefs of the Moslem north have generally remained loyal to France, extremists have enlarged their following in many urban areas of the south.

Moderates, including the Moslem delegates, won a majority of the assembly seats in the December 1956 territorial assembly elections, and they apparently are prepared to accept local self-government. However, independence has become such a psychological obsession among the vocal extremist minority that any solution offered by Paris falling short of this goal will be immediately attacked by the extremists, who waged virtual guerrilla warfare against the French during the recent election campaign. The reported French offer of a status similar to Togo will not restore political stability in the Cameroons; instead it may provide a stimulus for more extreme nationalism.

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GROWING JAPANESE INTEREST IN THE MIDDLE EAST

Japan has begun a campaign to gain economic and political influence in the Middle East in line with a new policy which calls for closer relations with the Asian-African nations as the first step in assuming eventual leadership of the Asian-African bloc.

Economic Activities

Japanese economic activity in the Middle East has been relatively limited in the past and investment in the area is negligible. Nevertheless, the Japanese regard the region as a potentially valuable market and profitable sphere for economic development. A Foreign Ministry official has indicated Tokyo government and economic circles are extremely interested in participating with the United States in Middle Eastern technical aid projects.

Japanese technicians are in Afghanistan assisting in development of the Kabul water supply and road projects and in the ceramic and sericulture industries. Two joint fishing companies, one with Iran and one with Lebanon and Syria, are expected to be in operation soon. A joint Lebanon-Japan sericulture enterprise reportedly is a success, and recent trade talks with Yemen have resulted in a satisfactory agreement.

The Iranian oil company has proposed to Japanese oil firms a plan for the construction and operation of oil tankers by Japan. Other reported proposals include Japanese construction of a railroad in Israel, and participation in developing the Euphrates River in Syria.

Japanese businessmen have taken advantage of the Suez crisis to expand into British Middle Eastern markets. Exports to Egypt, with the exception of steel and steel products, have been placed on a deferred payment basis, and Japan hopes to overcome its adverse balance of trade with Egypt.

Exchange of Visits

Japan's program to promote good will in the Middle East in recent months has included a visit by the brother of the emperor to Iran and Iraq, and a tour by an influential Diet member as the personal representative of the prime minister. The Japanese minister to Iraq also toured the area to stimulate economic co-operation, and a political advisory group is to be sent soon to Ethiopia.

Among visitors to Japan have been Emperor Haile Selassie of Ethiopia, and delegations from the Turkish and Iraqi parliaments. A visit by King Saud is planned for late spring and the Japanese hope President Nasr will come this summer.

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The Saudi Arabian director of petroleum affairs has indicated his country is considering a policy for the development of its own petroleum industry and that he believes Japan might be interested in an agreement on petroleum development. He also observed that Saudi Arabia desired its own fleet of tankers, which could be built at the lowest cost in Japan. As Japan imports a large part of its crude oil

requirements from Saudi sources, Tokyo presumably will respond favorably to approaches on these proposals.

Saudi Arabia in mid-1956 requested Japan to bid on a contract for the supply of military vehicles, and other Middle Eastern nations have made offers to purchase arms. Japan, however, has not revised its policy of not selling arms to these nations. [REDACTED]

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COMMUNIST CHINA'S POPULATION PROBLEMS

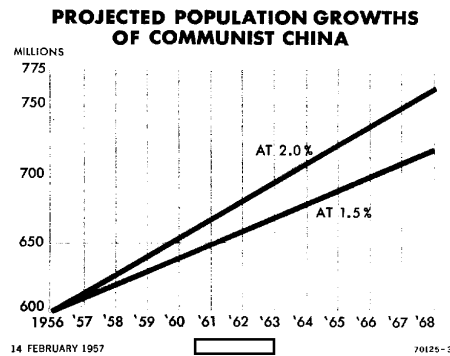
The Chinese Communists face the problem of how to feed and clothe a population which is growing at the rate of 10,000,000 a year and, at the same time, devote increasing amounts of the national income to investment. Peiping's former view that its huge population is its greatest resource is being replaced by recognition that the steadily increasing rate of population growth threatens fulfillment of economic plans. Although the authorities now endorse birth control, the programs under consideration are not believed adequate to reduce the birth rate in the next decade.

Chinese Population Data

China's first general census, in 1953-54, showed a population of 583,000,000. Subsequent investigations by the Chinese revealed that this population might be growing at a rate of 2 percent per year. This estimated rate was based on a 5-percent sample, heavily biased in favor of urban areas. Further, the questionnaire method was probably used and experience with other predominantly illiterate populations has shown that this method is susceptible to con-

siderable error. The growth rate estimated from this sample was probably too high; the actual rate at the present time is believed to be nearer 1.5 percent per year.

A population growth rate is in effect the difference between the birth and the death rate. In China, warfare and



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banditry, along with associated refugee movements and disruption of food supplies, kept death rates high through the 1930's and 1940's. The decline in the death rate, which began after the nation was pacified in 1950, will continue only as famine and disease are better controlled.

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The Communists have managed the distribution of the food supply in a relatively efficient and equitable manner. The battle against disease, however, is still largely in the planning stage. The death rate will probably continue to move slowly downward, but no precipitate drop is foreseen.

On the other hand, China's birth rate will probably remain high for some time to come, with the result that the rate of natural increase in the population will move steadily upward, and may actually reach the 2 percent figure in the 1970's. Even now, the population is growing at a rate of about 10,000,000 a year.

This growth raises very serious problems for Chinese planners, both in supplying food and in providing employment.

Food Supply

With a population living close to the subsistence level,

food supply remains a matter of concern, despite Chinese propaganda to the contrary. Any disruption in the food supply could cause a serious crisis. Conversely, a stabilized food supply could contribute to a significant decline in both disease and death rates.

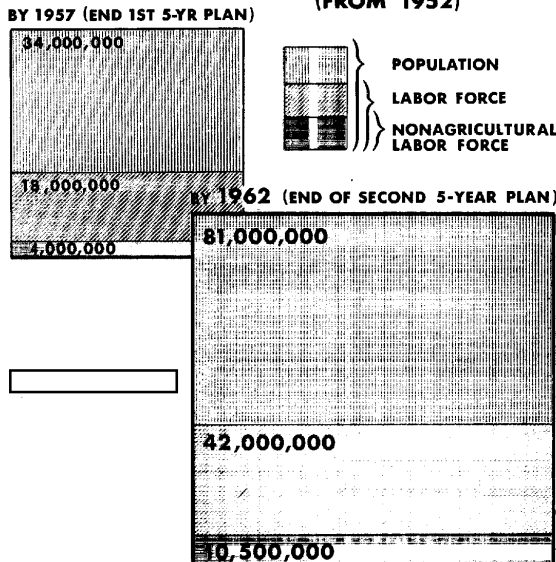
New investment scheduled for agriculture in the Second Five-Year Plan will probably increase food production more rapidly than the population will grow, provided there are no major natural disasters. The margin gained may be whittled away, however, by higher consumption levels and by raised food export quotas.

Employment Problems

Persistent underemployment, low productivity, low living standards in the agricultural labor force, and the effects of flood and famine have contributed to high death rates and migration out of stricken areas. After 1950, the industrialization program lured large numbers off the land into the cities. A considerable portion of these joined those who lost jobs in commercial and service functions following the government's campaigns against private business to swell the ranks of the urban unemployed.

Urban employment opportunities are not expected to increase greatly in the course of the first two five-year plans. In 1952 there were reportedly 21,000,000 "workers and employees," which presumably included all wage and salary workers in both the private and the socialized sectors of

COMMUNIST CHINA - NET ADDITIONS EXPECTED (FROM 1952)



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the economy. This category is to expand to 25,000,000 in 1957 and 31,500,000 in 1962.

Although this is an average annual increase of 5 percent, the absolute number of new jobs--10,500,000--compares with an expected net growth in population in the 10-year period of over 80,000,000 people. Thus, out of an average of approximately 3,000,000 to 4,000,000 people expected to enter the labor force annually between 1952 and 1962, there are plans to hire only 1,000,000 a year as workers and employees. Most of the remaining presumably will be added each year to the already overcrowded agricultural labor force.

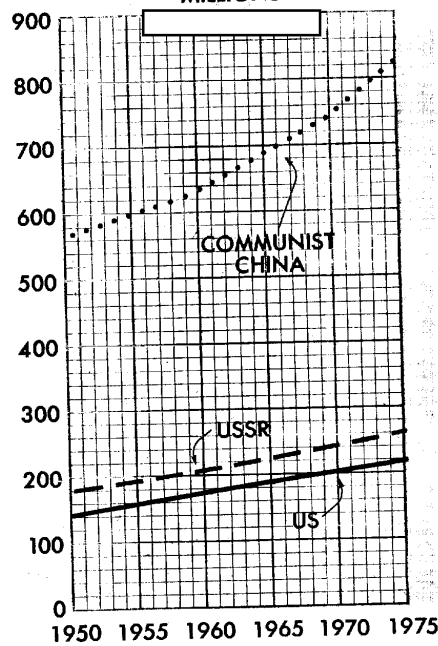
Government Programs

The Chinese government has attempted to halt migration from rural to industrial areas. Strict enforcement of this ban apparently has slowed the movement, but unemployment has been so acute in a number of major cities that efforts have been made to evacuate people. These have been none too successful because of a general lack of planning and a scarcity of both housing and employment opportunities in rural areas.

Projects for large-scale relocation of the population, notably to the northeast and northwest, have had more elaborate planning, but ambitious goals for this program have been steadily scaled down as the obstacles and the costs have become more apparent. Migration to virgin areas in 1956, for example, totaled 725,000 people, which represents only a little more than 0.1 percent of the total population. Without heavy capital investment in marginal agricultural lands or in extensive water conservancy projects, it seems extremely unlikely that such progress can be made.

Birth Control

The Chinese Communists are now attempting to solve some of their problems by encouraging birth control. Official support is being given not only to contraceptive practices but to sterilization and postponement of marriage.

**ESTIMATED POPULATION GROWTH
MILLIONS**

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Doctrinal fidelity has been maintained by rationalizing birth control as necessary for the health of mothers and children. At the same time, the Chinese have violently attacked Malthusian theories, although the Chinese demographic situation demonstrates the validity of some of these concepts.

The program backing the birth control policy is still in the preparatory stages. With the endorsement of Chou En-lai himself, the Ministry of Public Health is engaged in research on fertility control and is planning a campaign to spread information on birth control techniques.

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Despite occasional lapses into primitive folklore--such as swallowing live tadpoles to prevent conception--most of the information on birth control has been modern and scientific. However, it is doubtful that China's largely illiterate and superstitious peasantry can be taught effectively to use these techniques except through

an intensive and prolonged indoctrination period. In the shorter run, the program can be effective only if Peiping employs Draconian measures such as widespread abortion or mass sterilization measures which could be successful in China's closely controlled society. (Prepared by ORR)

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EUROPEAN SATELLITE AIRCRAFT PRODUCTION IN 1956

The East European Satellites, during 1956, produced a total of 1,600 aircraft, according to US air force estimates. This is about 19 percent of Soviet bloc production in numbers of aircraft but only about 7 percent of the total by airframe weight. Of the 1,600 planes, Czechoslovakia accounted for approximately 65 percent and Poland approximately 25 percent.

1954-55. Demand for the obsolescent MIG-15, which remains the standard Satellite fighter, stems in part from the needs of newly organized air force units in East Germany and Albania.

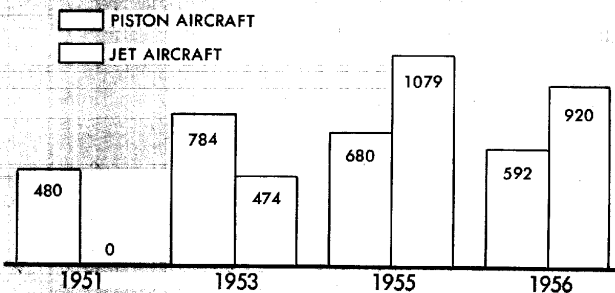
Production of the CRATE (IL-14) piston transport at the Avia plant in Prague reached 15 by late January. The planned production rate may be considerable in view of the prospective needs of the Satellite and Soviet air forces and civil airlines.

The East Germans assembled five IL-14's in 1956 from parts and assemblies provided by the USSR. Despite the halfheartedness of Soviet assistance and perennial shortages of materials and trained personnel, series production of this aircraft probably will be undertaken at the new

facilities in Dresden in 1957 in accordance with East Germany's present Five-Year Plan.

In Poland, MIG-15's are being produced at a plant at Mielec at a rate of 26 to 30

EUROPEAN SATELLITE AIRCRAFT PRODUCTION



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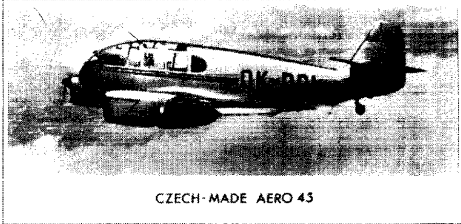
The large Vodochody plant in Czechoslovakia produced 40 to 50 FAGOT (MIG-15) jet fighters and MIDGET (U-MIG-15) jet trainers per month in 1956, compared with an estimated 60 to 70 per month in

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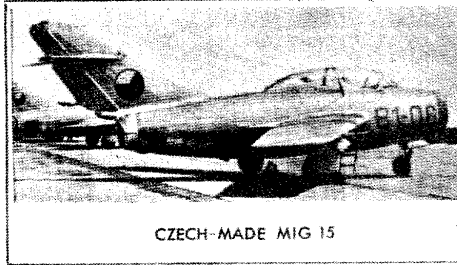
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CZECH-MADE AERO 43

per month. A small quantity of HARE (MI-1) helicopters were assembled at the Lublin/Swidnik plant during 1956, probably from Soviet components. Series production of helicopters is expected in 1957.

Despite rumors to the contrary, Czechoslovakia and



CZECH-MADE MIG 15

Poland have not begun to produce FRESCO (MIG-17) jet fighters and BEAGLE (IL-28) jet light bombers, although several Satellite air forces are now receiving these types from the USSR.

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