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# CURRENT INTELLIGENCE WEEKLY SUMMARY



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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

MIDDLE EAST DEVELOPMENTS . . . . . Page 1

Israel's withdrawal from the Gaza strip and Sharm al-Shaikh leaves unresolved the basic questions of the future administration of Gaza and Israeli access to the Gulf of Aqaba. Israel has indicated plans for action to uphold what it considers its rights in these areas, while Nasr, supported by the Syrian, Saudi, and Jordanian leaders, is apparently ready to insist on Egyptian administration of Gaza and on barring Israeli shipping from Aqaba. Meanwhile, Nasr has said he will permit resumption of work on clearing the Suez Canal and has indicated willingness to discuss a settlement of the canal issue. However, there is no basic change in the Egyptian attitude, and if Nasr feels he is not obtaining his aims, progress on Suez may again be interrupted. [redacted]

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INDONESIA . . . . . Page 3

President Sukarno reportedly has agreed, at least for the moment, to a compromise which would bar the Communists from the next Indonesian cabinet but would provide for their participation in his proposed national "advisory" council. Moslem party leaders in Djakarta appear inclined to accept this modification in Sukarno's concept of government reorganization. Army leaders in Central Sumatra and East Indonesia, however, who have been consistent in their anti-Communist stand, may not agree. Meanwhile, a special army mission has gone to East Indonesia to try to settle by negotiation Indonesia's latest army coup. [redacted]

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PART II

NOTES AND COMMENTS

HUNGARIAN GOVERNMENT MOVES TO PREVENT  
DEMONSTRATION ON 15 MARCH . . . . . Page 1

Premier Kadar's Hungarian regime, through blandishments, threats and a show of force, is attempting to prevent antiregime demonstrations anticipated on 15 March, Hungary's national independence day. In the presence of Soviet forces, any general uprising would inevitably bring violent repression and defeat to the rebels. Most resistance leaders are apparently seeking to restrict any demonstrations to a silent show of solidarity against the regime. [redacted]

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GOMULKA MOVES TO CURB POLISH LIBERALS . . . . . Page 2

During the past two weeks, party first secretary Gomulka has taken steps to curb the Polish press while easing his pressure on the Stalinist Natolin opposition group. These actions appear to be the beginning of a major effort to bring about some balance between the warring liberal and Natolin factions and to win the support of uncommitted middle-of-the-road party members. Gomulka may also feel that the liberalization program has reached a point beyond which Poland may not safely venture and beyond which he, as a Communist, does not care to go. [redacted]

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POLAND'S FOREIGN TRADE POLICIES . . . . . Page 3

Poland's foreign trade, which in the past has stressed imports of capital equipment from Sino-Soviet bloc countries in exchange for exports of raw materials, has been shifting toward a more realistic pattern in terms of Poland's own economic needs. Since last December, Warsaw has been attempting to develop markets in the West. [redacted]

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YUGOSLAV-SOVIET RELATIONS . . . . . Page 3

Yugoslav-Soviet relations appear to have settled into a "coexistence" pattern likely to continue for some time. Formal diplomatic and commercial relations will be maintained, but for all practical purposes, party relationships have been broken off, with each party indulging in sporadic propaganda attacks on the other's doctrines. Yugoslav foreign secretary Popovic has stated that the USSR is wasting its time if it still hopes to see Belgrade in its "socialist camp." [redacted]

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BRITAIN'S TIES WITH IRAQ . . . . . Page 4

Britain is trying to strengthen its ties with the present Iraqi government and seeking means to retain the country's good will when Nuri Said may no longer be prime minister. In the past two weeks London has guaranteed a large oil company loan to Iraq and promised a gift of five jet aircraft. [redacted]

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THE CYPRUS ISSUE . . . . . Page 5

As a tactical maneuver in the Cyprus dispute, London now favors some form of NATO consideration. At the same time, Britain is sufficiently encouraged by recent successes against EOKA to begin steps toward granting Cyprus limited self-government. [redacted]

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ALGERIA . . . . . Page 6

In spite of recent French successes against the Algerian National Liberation Front, the rebels continue to ambush French military units in central and eastern Algeria. In Paris, members of the assembly are urging Premier Mollet to set a deadline on his repeated offer of a cease-fire in Algeria. [redacted]

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AFTERMATH OF THE THAI ELECTIONS . . . . . Page 8

Political demonstrations in Bangkok stemming from opposition charges of irregularities in the 26 February Thai national elections led the Phibun regime on 2 March to declare a state of emergency. Thai army chief General Sarit was placed in command of all armed forces, including the police. The government is in no danger of being overthrown by the opposition, but Premier Phibun may feel compelled to make Police Director General Phao the scapegoat. [redacted]

LAOTIAN CABINET OPPOSES CHINESE COMMUNIST AID . . . . . Page 9

The Laos cabinet has rejected Pathet Lao demands that it accept Chinese Communist aid as a condition for a final settlement, and insists on formal Pathet guarantees to assure government control of the two northern provinces and the integration of Pathet forces into the Laotian army. Pathet chief Souphannouvong has indicated these

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terms are unacceptable. In an effort to force the cabinet to reverse its position, he is attempting to win the support of assembly deputies for the acceptance of Chinese Communist aid. [redacted]

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RESUMPTION OF BURMESE PREMIERSHIP BY U NU . . . . . Page 10

U Nu's return as prime minister of Burma after a nine-month absence probably foreshadows no major foreign policy changes, although he is apt to be more susceptible to Sino-Soviet blandishments than his predecessor. There is some indication that in domestic affairs, Nu may be amenable to a new effort to reach a settlement with insurgent Communist groups. [redacted]

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POLITICAL MANEUVERING IN CEYLON . . . . . Page 10

Prime Minister Bandaranaike is apparently alarmed at a growing threat to his position from the United National Party (UNP), which the prime minister's coalition defeated in the Ceylon national elections in April 1956. Having lost most of the municipal elections to the UNP last December, Bandaranaike now fears the opposition may bring about the fall of his government and force new national elections. [redacted]

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PEIPING STEPS UP CAMPAIGN FOR "PEACEFUL LIBERATION" OF TAIWAN . . . . . Page 11

During the past month there has been a new spate of Communist-inspired rumors concerning "negotiations" between Taipei and Peiping, and Communist propaganda is giving new prominence to "liberation" themes. Taipei has denounced the rumors, and there is no evidence that the stories have any foundation in fact. [redacted]

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POLITICAL CONTROVERSY ON TAIWAN . . . . . Page 13

Criticism of the Chinese Nationalist government by Free China, a fortnightly published in Taipei, has underscored the political controversy on Taiwan between liberal and authoritarian elements of the Kuomintang. Several anti-Communist papers in Hong Kong have denounced "undemocratic action" taken by the Chiang regime against Free China, and liberal elements have demanded the establishment of a genuine two-party system on Taiwan. [redacted]

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**PEIPING BEGINS LARGE-SCALE DEVELOPMENT OF HYDROELECTRIC RESOURCES . . . . . Page 13**

Communist China, which claims a hydroelectric power potential second only to that of the USSR, has undertaken a large-scale program to develop these resources. Several large projects are under way and more are scheduled to be started during the Second Five-Year Plan (1958-1962). Hydroelectric plants, which produced only 20 percent of the total electric power generated in China in 1956, will be generating 30 percent in 1962 and 40 percent in 1967. [redacted]

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**THE ITALIAN GOVERNMENT'S PARLIAMENTARY DIFFICULTIES . . . . . Page 16**

Premier Segni's coalition government is entering a period of intensified political maneuvering and may face a crisis in the continuing debate over the government-sponsored bill regulating farm tenancy contracts. A breakup of the coalition would almost certainly lead to early elections, a prospect no party appears willing to face. [redacted]

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**FRENCH COMMUNISTS STAGING COMEBACK EFFORT. . . . . Page 16**

The French Communist Party is staging a drive to stem its continuing membership losses, which amounted to 70,000 in the past year. The party leadership hopes to attract the support of labor by a new campaign for wage increases and is making conciliatory gestures to opposition elements within the party. [redacted]

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**THE NATIONAL CONGRESS OF THE ECUADORAN COMMUNIST PARTY . . . . . Page 17**

The national congress of the Ecuadoran Communist Party, scheduled to convene on 8 March, will possibly foreshadow some of the international policies which the Argentine and Brazilian Communist Parties may adopt at their congresses to be held in the near future. The Ecuadoran Communist congress--the first in Latin America since the Hungarian crisis--will meet under the threat of being outlawed and at a time of considerable dissension within the party. [redacted]

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**NEW REVOLUTIONARY PRESSURES IN ARGENTINA . . . . . Page 18**

The provisional Argentine government's concern over plans for another "Peronista" uprising is reflected not only in its recent arrest of certain Peronista, retired military and "Nationalist" elements, but also in new

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concessions to labor and in various reassuring policy statements. Skepticism over the Aramburu regime's stated intentions to hold national elections impartially and by the end of 1957 threatens to alienate military elements, who remain the key factor in any Argentine government's stability. [redacted]

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USSR MINISTRY OF STATE CONTROL STRENGTHENED . . . . . Page 19

The Ministry of State Control under V.M. Molotov apparently is re-emerging as a powerful instrument of centralized authority over certain aspects of the Soviet economy. The regime probably feels a further strengthening of this ministry is necessary as a counterweight to the increase of local authority envisaged under the proposed drastic reorganization of the Soviet economy along regional lines. [redacted]

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PART III

PATTERNS AND PERSPECTIVES

THE HUNGARIAN COMMUNIST PARTY UNDER KADAR . . . . . Page 1

The Hungarian Socialist Workers (Communist) Party led by Janos Kadar, now numbering some 200,000 members, is a mere shadow of the party once led by Matyas Rakosi, which numbered more than 800,000, with a nucleus of Moscow-trained experts. In his efforts to strengthen this shaky machine, Kadar has been forced to abandon his original declarations of moderation, and, despite his regime's continued condemnation of the former "Rakosi clique," has resorted increasingly to the restoration of former middle-level "Stalinists" to positions of authority. He has failed completely in his efforts to attract the support of the working class, necessary for any kind of popular base, and there is evidence that factionalism remains a problem within the existing party organization. [redacted]

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THE UN DISARMAMENT NEGOTIATIONS IN LONDON . . . . . Page 5

At the UN Disarmament Subcommittee meeting to be convened in London on 18 March, Britain and France will press for their plan of 19 March 1956 as the "best basic guide" for comprehensive disarmament. The Soviet Union will push its seven-point statement of 17 November, which called for an immediate ban on nuclear tests. Under

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discussion also will be five American proposals outlined to the General Assembly on 14 January. Unless there is the prospect of some measure of accord, the talks are likely to recess after about five weeks. [redacted]

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**ECONOMIC DEVELOPMENT OF IRAN . . . . .**

Page 7

Iran, almost brought to bankruptcy by the economic policies of former prime minister Mossadeq, now is in a relatively sound financial position. Oil revenues, amounting to over \$150,000,000 last year, are considerably higher than before nationalization in 1951. With these revenues assured, Iran is embarking on an ambitious Seven-Year Development Plan. Oil revenues are more than adequate to cover all expenditures envisioned, but inefficiency and corruption will probably limit the benefits Iran will receive from the plan. [redacted]

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## PART I

OF IMMEDIATE INTEREST

## MIDDLE EAST DEVELOPMENTS

Israel and Egypt

Israel's withdrawal from the Gaza strip and Sharm al-Shaikh leaves unresolved the basic questions of the future administration of Gaza and Israeli access to the Gulf of Aqaba. Israel has indicated plans for action to uphold what it considers its rights in these areas, while Nasr, supported by the Syrian, Saudi, and Jordanian leaders, apparently is ready to insist on Egyptian administration of Gaza and on barring Israeli shipping from Aqaba. Meanwhile, Nasr has said he will permit resumption of work on clearing the Suez Canal and has indicated willingness to discuss a settlement of the canal issue. However, there is no basic change in the Egyptian attitude and if Nasr feels he is not obtaining his aims, progress on Suez may again be interrupted.

Israel underscored its determination on the Gaza and Aqaba issues when Foreign Minister Meir stated that a return by Egypt to Gaza "in any way, shape or form" would bring into force Israel's "right of return to Gaza." This applied to the initial period of take-over by the UN forces as well as the future. As regards the Gulf of Aqaba, Mrs. Meir said Israel "next week" intends to exercise the right to pass shipping through the Straits of Tiran, adding that Israeli naval ves-

sels would be used "if necessary" in this undertaking.

Indications of French backing of Israel in this forceful stand led UN secretary general Hammarskjold to comment that France might be laying groundwork for renewed military intervention on Israel's side.

Nasr, apparently to relieve the expected shift of pressure from Israel to Egypt, has made some conciliatory gestures. Press reports state that Syria--almost certainly on orders from Cairo--has given permission for repair of the Iraq Petroleum Company pipelines sabotaged last November, and [redacted]

[redacted] Nasr has instructed his foreign minister to discuss the settlement of the Suez Canal issue. Nasr said that clearance of the tug Edgar Bonnet could begin as soon as the Israelis gave "concrete evidence" of withdrawal. Transit of ships up to 10,000 tons or up to 25-foot draft would be physically possible after the removal of the Bonnet.

In seeking to continue to bar Israeli shipping from the Gulf of Aqaba, Nasr is supported by Syria, Jordan and Saudi Arabia. Saudi Arabia apparently fears that an Israeli pipeline from the gulf to the Mediterranean might give a competitive advantage

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to Iranian over Saudi oil, which would have to continue to use the Suez Canal. The next Egyptian objective following the Israeli withdrawal will probably be the evacuation of the UN force or limitation of its functions to patrolling the 1949 Israeli-Egyptian armistice lines.

Prime Minister Ben-Gurion's announcement of a withdrawal based on "assumptions and expectations" rather than on firm guarantees precipitated a political storm in Israel. Ben-Gurion, however, was able to achieve Knesset approval of his policies. The prime minister reiterated before the parliament that Israel would shoot its way through if necessary to maintain freedom of navigation in the Gulf of Aqaba and stated that Egypt would never be allowed to return to the Gaza strip. Ben-Gurion said he was keenly aware of the dangers and drawbacks involved in the settlement Israel had made. He stated that while Israel had not obtained the guarantees it sought, it had received moral commitments from the United States and many other nations.

Syria

Strong Egyptian pressure has evidently resulted in the commuting of the death sentences imposed in the recent treason trials of rightist leaders in Syria.

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to drift further toward the Soviet bloc. Syrian officials have indicated that they have practically made up their minds to give an oil refinery construction contract to the Czechs

[Redacted] 25X1

Soviet MIG-17 aircraft have been observed assembled on Syrian fields, although the Syrians have no pilots qualified to operate them.

Soviet Activity

Soviet activity over the last week was primarily in the propaganda field and was directed at the Egyptian people. Soviet broadcasts attempted to make a modus operandi between Nasr and the West, particularly the United States, increasingly difficult. Egyptians and the

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Arabs in general were told that Nasr must not weaken in his determination to maintain his "national independence" in relation to the West. Radio Moscow claimed on 2 March that Nasr's stand was primarily responsible for the Israeli withdrawal, and encouraged the "united Arab world" to continue to

stand by Egypt against Israeli "intransigence" and the "hampering" actions of the United States. With the announcement of Israel's intention to withdraw, Radio Moscow stated on 4 March its opposition to an American-Israeli "agreement" to internationalize Gaza and the Aqaba waterway. [REDACTED]

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[REDACTED]  
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## INDONESIA

President Sukarno reportedly has agreed, at least for the time being, to a compromise in his concept of government reorganization which would bar the Communists from the next cabinet. He continues to insist on Communist participation in the proposed national council, however, but has acceded to demands of the Moslem parties that the council's function be strictly "advisory." Sukarno has also agreed to offer former vice president Hatta an "important" position in the new setup.

Moslem party leaders in Djakarta appear inclined to accept Sukarno's proposal. They feel he must be permitted to save face since he and Hatta are the only men able to reunite Indonesia. They have always advocated restoration of the duumvirate.

Army leaders in Central Sumatra and East Indonesia, who have consistently been strongly anti-Communist, have not yet commented on the compromise proposal and may persist in all-out opposition. Army chief of staff General Nasution, who heretofore has been equivocal in his attitude toward the concept, is now reported in

"serious disagreement" with Sukarno over the whole question of Communists in the government.

Sukarno has made no announcement of his latest proposal but has prepared the public for it. On 28 February he told a mass rally he would "digest" comments of the opposition before announcing his own final decision.

The Communist Party has threatened a national strike if it is barred from the cabinet or if Hatta resumes an important government post. Although it may stage a token strike, it is more likely to limit its actions to vigorous protests and to settle for participation in the council, where it probably will be able to exert significant influence on Sukarno and government policy.

In connection with the increasing demands for autonomy, from non-Javanese areas, a special army mission has gone to Makassar in Celebes to try to settle by negotiation Indonesia's latest army coup. Lt. Col. Samuel declared a state of war and siege on 2 March in his command of East Indonesia. He has now apparently replaced

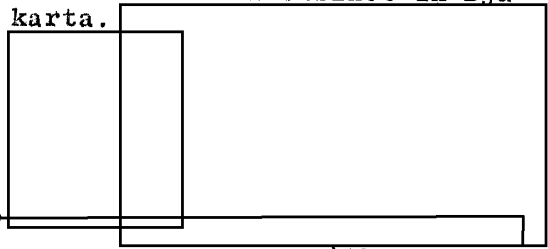
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three of the four civil governors with army officers and has appointed two additional military governors in the province of Celebes. His revolt followed repeated warnings to the central government of dissatisfaction with local conditions and with the administration of the Ali cabinet in Djakarta.



the Indonesian government regards the developments in East Indonesia to be more serious than the Sumatra problems. It fears

that what has happened is only a prelude to a declaration of independence, and that East Indonesia is in a better economic, military, political and geographic position to make such a declaration stick than is Sumatra.

Meanwhile, in North Sumatra Col. Machmour, a pro-Communist regimental commander, is reported to have broken with the government commanders in the area and is continuing to organize and arm Communist-controlled rubber estate workers. By these actions, Machmour appears to be working to defeat the local move for autonomy as well as to undermine the strongly anti-Communist, anti-Djakarta regime in Central Sumatra.

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**PART II****NOTES AND COMMENTS****HUNGARIAN GOVERNMENT MOVES TO PREVENT DEMONSTRATION ON 15 MARCH**

Premier Kadar, through blandishments, threats and a show of force, is attempting to prevent antiregime demonstrations anticipated on 15 March, Hungary's national independence day. In the presence of Soviet forces, any general uprising would inevitably bring violent repression and defeat to the rebels. Most resistance leaders are apparently seeking to restrict any demonstrations to a silent show of solidarity against the regime.

The populace, however, is evidently having difficulty in adopting a unified course of action for the holiday. Leaflets calling for a stay-at-home demonstration have been reported. Any demonstration on the streets, according to the American legation in Budapest, would lead to a "tinderbox" situation.

The Kadar regime is seeking to convince the Kremlin and the Hungarian people that it is firmly in control of the situation. It has issued threats of dire punishment for "counter-revolutionaries" who demonstrate on 15 March.

Limited celebrations, however, have been approved for school children and government workers, who will be permitted to take the day off. The regime will attempt to keep factory workers on the job, where they can be more easily controlled by regular police forces and workers' militia--estimated to

number 30,000 men. The government may begin induction of new recruits into the army before 15 March and thus reduce the number of men available for an insurrection.

The Kadar regime is backed by some six Soviet divisions dispersed in key positions throughout the country. Moreover, Soviet MVD troops in Hungary, numbering 1,500 before the October rebellion, have reportedly been substantially reinforced. Officers of the Hungarian military and police forces are largely reliable veterans who probably would not hesitate to fire on their own countrymen.

The government is conducting a propaganda war on the West for "inciting" and then "abandoning" the Hungarian rebels last November. It has also launched a trial balloon suggesting through Western diplomatic and journalistic channels that a status of forces agreement with the USSR may be arranged in the near future. It is possible, in the opinion of the American legation in Budapest, that the Kremlin has made the successful handling of any demonstrations on the 15th the prerequisite for such negotiations. The Austrian minister has suggested that the regime may be hoping to head off demonstrations by a "broad hint" that if all goes well some favorable result will be forthcoming.

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## GOMULKA MOVES TO CURB POLISH LIBERALS

During the past two weeks, party first secretary Gomulka has taken steps to curb the "irresponsible" Polish press while easing his pressure on the Stalinist Natolin opposition group. These actions appear to be the beginning of a major effort to bring about some balance between the warring liberal and Natolin factions and to win the support of uncommitted middle-of-the-road party members. Gomulka may also feel that the liberalization program has reached a point beyond which Poland may not safely venture and beyond which he, as a Communist, does not care to go.

In a major move against the press, the regime dismissed Henryk Koroczynski, editor of Zycie Warszawy, principal government organ, and Wladyslaw Matwin, liberal editor of Trybuna Ludu, the principal party organ. In protest, most of the top editors of the party newspaper reportedly resigned.

In a riotous meeting of party leaders with press officials on 27 February, Gomulka criticized all of the press by stating that most of the Polish journalists and writers had broken with socialism and had become the mouthpiece of a "petit-bourgeois ideology." Also he accused Trybuna Ludu of having disobeyed a recent politburo letter to all party organizations ordering a fight against both "revisionism and conservatism." He reportedly said that "revisionism is a great danger of the moment."

Gomulka appointed as Trybuna Ludu's new editor Leon

Kasman, who edited the paper during the Stalinist Bierut regime, but who is considered moderate. He can be expected to bring its editorial policies more closely into step with those of Gomulka. The Gomulka regime now is imposing a much stricter censorship on the press and is interfering with the publication of some papers, especially the intellectual journals. Most of the press had been engaged in open warfare against the Natolin group and in particular had attacked the use of anti-Semitism to stir up popular feeling against the Gomulka regime. Gomulka may be curbing the press in part to reciprocate for Soviet promises to halt the anti-Polish campaign in the Soviet and Satellite press.

Gomulka has personally insisted in the face of strong parliamentary opposition on the retention in the Cyrankiewicz cabinet of Deputy Premier Nowak, a leading Stalinist. In addition, he has reportedly designated the unpopular former trade union chief, Wiktor Klosiewicz, as deputy minister of labor and social welfare. The inclusion of these men in the government has probably aroused intense popular disapproval, as both are thoroughly discredited in the eyes of the people as proponents of Stalinist oppression. Krakow University students already have conducted anti-Nowak demonstrations. Since his principal power base is popular support, Gomulka, in his efforts to restore party unity, may have weakened his position by his concessions to the Natolinists.

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## POLAND'S FOREIGN TRADE POLICIES

Poland's foreign trade, which in the past has stressed imports of capital equipment from Sino-Soviet bloc countries in exchange for exports of raw materials, has been shifting toward a more realistic pattern in terms of Poland's economic needs. Since last December, Warsaw has been attempting to develop markets in the West.

While Warsaw is maintaining its contacts with the bloc and co-operation with such agencies as CEMA, the Soviet bloc's Council for Mutual Economic Assistance, the Polish trade structure is becoming less rigid. The Poles are looking to the West for modern efficient machinery with which to rehabilitate much of their industry.

Trade with the West will not be limited to imports of machinery, however; Poland is also seeking increased supplies of agricultural products and raw materials.

Numerous Polish newspaper articles have called for increased imports of raw materials from underdeveloped countries; purchase of machinery from bloc countries only when the quality is equal to "the highest world level"; and a review of the West's export controls and Poland's position in CEMA.

A member of Poland's Foreign Trade Ministry told an American embassy officer recently that the necessary reorientation of Poland's trade would be hampered more by Western export control policy than by Poland's obligations under CEMA.

Polish commercial attachés reportedly have been instructed to survey the needs of each market, with a view toward avoiding competition with the United States, the United Kingdom and West Germany. The Polish press is suggesting with increasing frequency that to enlarge exports, the Ministry of Foreign Trade should take steps to bring manufacturers and foreign buyers into closer contact. The American embassy in Warsaw is receiving a growing number of foreign trade inquiries from small-scale producers who are quietly attempting to develop trade with the United States outside the government's centralized foreign trade framework.

The shift in Warsaw's trade program will be gradual. New policies, administrative reorganization, and personnel shifts over a period of time will tend to bring trade into closer conformity with Gomulka's program of increasing Poland's economic viability. [REDACTED]

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## YUGOSLAV-SOVIET RELATIONS

Yugoslav-Soviet relations appear to have assumed a pattern which is likely to continue for some time to come. For all practical purposes, party relations have been broken off, each party indulging in sporadic propaganda attacks

of varying intensity on the other's doctrines.

In a speech on 26 February, Yugoslav foreign secretary Popovic reduced the ideological controversy to the basic issue at dispute. He bluntly stated

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that the USSR was wasting its time if it still hoped to see Belgrade in its "socialist camp." He said, "We ask no one to recognize us as a socialist country; ...practice and history" would pronounce a correct judgment. He invited the continuation of the ideological exchange by charging that Stalinism had inflicted "incomparably greater damage to the cause of socialism than all of the imperialist conspiracies put together."

Clues as to the future of Soviet-Yugoslav relations will be provided by the manner in which the trade agreement signed on 27 February is carried out. It calls for approximately the same level of exchange as in 1956--\$110,000,000, with actual fulfillment about \$30,000,000--but does not list specific commodity quotas. Of the credits agreed to in early 1956, Moscow will honor its commitment for an \$18,000,000 credit for commodity purchases in 1957. It granted a disproportionately small amount on a credit for industrial investments, however, and postponed for five years the large credit negotiated last August for a Yugoslav aluminum combine. This indicates that Moscow is unwilling to help the Yugoslav economy on any long-term basis, but has left

the door open for maintaining the present level of trade.

The USSR has denied the Yugoslav charge that withholding of the aluminum credit is a form of economic pressure. A Moscow radio commentator, in discussing the Soviet loan to Yugoslavia, said that its postponement was caused by "economic reasons, concerned with the changes in the structure and volume of investments in the USSR."

Pravda on 6 March reprinted a Rumanian answer to Popovic. This answer, unyielding on basic issues but milder in tone than previous statements, indicates that the Kremlin is apparently trying to keep the dispute from worsening and is even keeping the door open for interparty relations but on its own terms. It will undoubtedly be willing to continue correct state relations with Yugoslavia, which says it wants to "coexist" with the USSR. The Kremlin's real views, however, may have been revealed in a recent speech by Albanian party boss Hoxha, who has often served as the Kremlin's mouthpiece on Yugoslav relations. Hoxha declared that the actions taken against Yugoslavia in 1948, with the exception of the interruption of governmental relations, were correct. 25X1

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## BRITAIN'S TIES WITH IRAQ

Britain is trying to strengthen its ties with the present Iraqi government and is seeking means to retain the country's good will when Nuri Said may no longer be prime minister. In the past two weeks London has guaranteed a large oil company loan to Iraq and promised a gift of five jet aircraft.

Iraq, which normally supplies about 13 percent of the United Kingdom's crude oil requirements and gets nearly a third of its imports from Britain, is banked on heavily by London as a force against Egyptian and Communist influence in the Arab world. Iraq's oil revenues suffered seriously from the closure of the Suez

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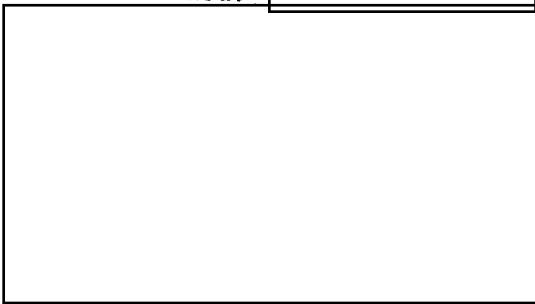
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Canal and stoppage of the pipelines through Syria, however, and an upsurge of public opinion over the Suez intervention endangered the position of pro-British Nuri Said.

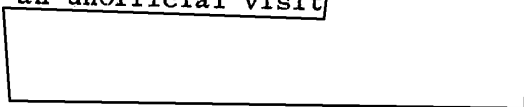
In recent weeks British-Iraqi relations have improved considerably. One of London's most dramatic gestures was its promise in late February to guarantee a large loan to Iraq by the Iraq Petroleum Company (IPC), which is 33.75 percent British-owned.



Britain later made a further move to bolster its own prestige and Iraq's military strength by deciding to give Iraq five Hunter Mark VI jet

fighters and spare parts, worth approximately \$2,000,000, a move which followed nearly a year of unsuccessful negotiations for the sale of Hunters. Delivery is expected in April or later and the British wish to send technical personnel, in addition to their present training mission, for maintenance and instruction during the next two years.

Britain appears to be keeping a hand in Iraq for the time when Nuri retires. Crown Prince Abd al-Ilah spent about a week in London in mid-February on an unofficial visit



London is doing its best to ease Nuri's difficulties with anti-British public opinion by remaining in the background, particularly in Baghdad pact meetings. In area affairs, Britain has quietly encouraged Iraq to support President Chamoun of Lebanon and is presumably in close consultation over Jordan's future.

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THE CYPRUS ISSUE

As a gesture toward the UN resolution suggesting negotiations for a Cyprus settlement, London now favors NATO consideration of the Cyprus question but apparently does not intend to initiate serious negotiations for a political settlement with Greece and Turkey on the island's future. The British government also is unwilling to give in to any pressures to modify its present Cyprus policy of eliminating terrorism and then implementing the Radcliffe constitution, which provides for some self-government.

A Foreign Office official recently characterized NATO consideration as the most constructive proposal now available but said NATO should not be permitted "to move too far into substance." In accordance with a December resolution of the ministerial meeting of the North Atlantic Council, the secretary general could offer his good offices informally to the NATO representatives of Britain, Greece and Turkey toward mediation. In this he is authorized to use the assistance of three permanent NATO representatives chosen by him.

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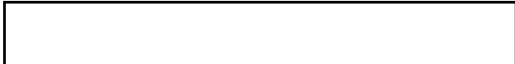
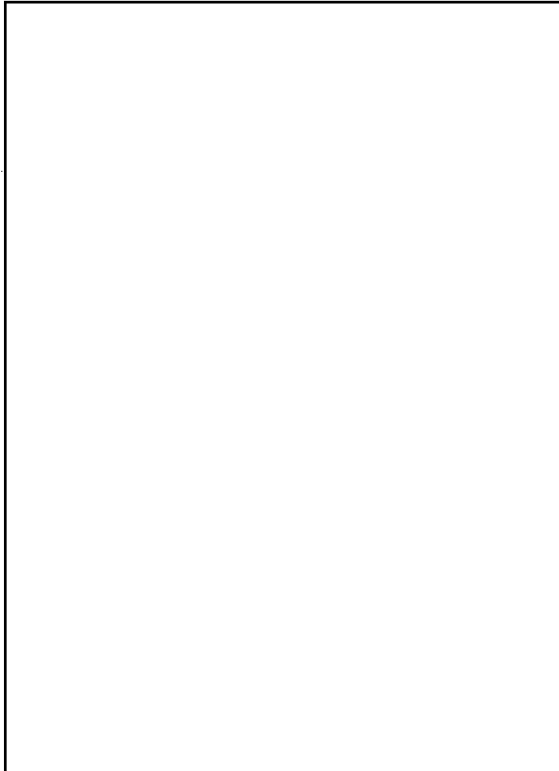
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If they do not agree, the secretary general is still empowered to bring the matter to the attention of the North Atlantic Council, as may any member government which so desires. Because the council discussions, unlike "the UN goldfish bowl," are private and voting is not obligatory, Britain may believe this approach offers some chance for progress.

London is evidently sufficiently encouraged by recent successes against EOKA to begin steps toward implementing the Radcliffe constitutional proposals. Governor Harding said on 24 February that reorganization of the government machine along the lines recommended by Radcliffe would start soon. Some of the stricter emergency regulations have been lifted recently.



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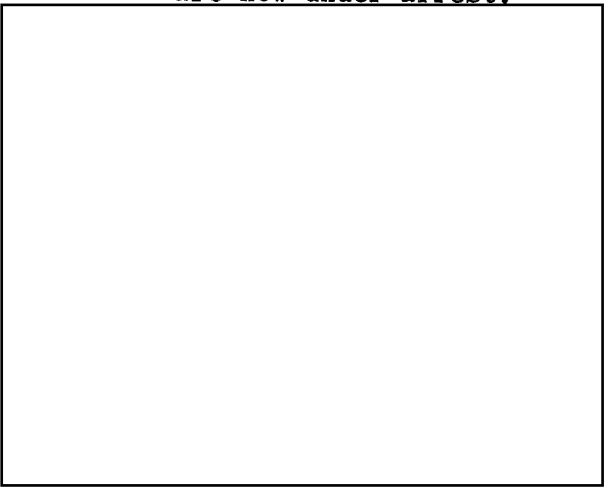
ALGERIA

In spite of recent French successes against the Algerian National Liberation Front (FLN), the rebels have increased ambushes of French military units in central and eastern Algeria.

The latest series of arrests of FLN leaders--in France as well as in Algeria--appears to be a heavy blow to the top echelon of the rebels' organization. French authorities allegedly consider the capture of two members of the five-man FLN executive committee as important as the seizure last October of five leaders while they were en route from Rabat to Tunis. In all, one third

of the 34 members and alternates of the FLN's National Committee of the Algerian Revolution are now under arrest.

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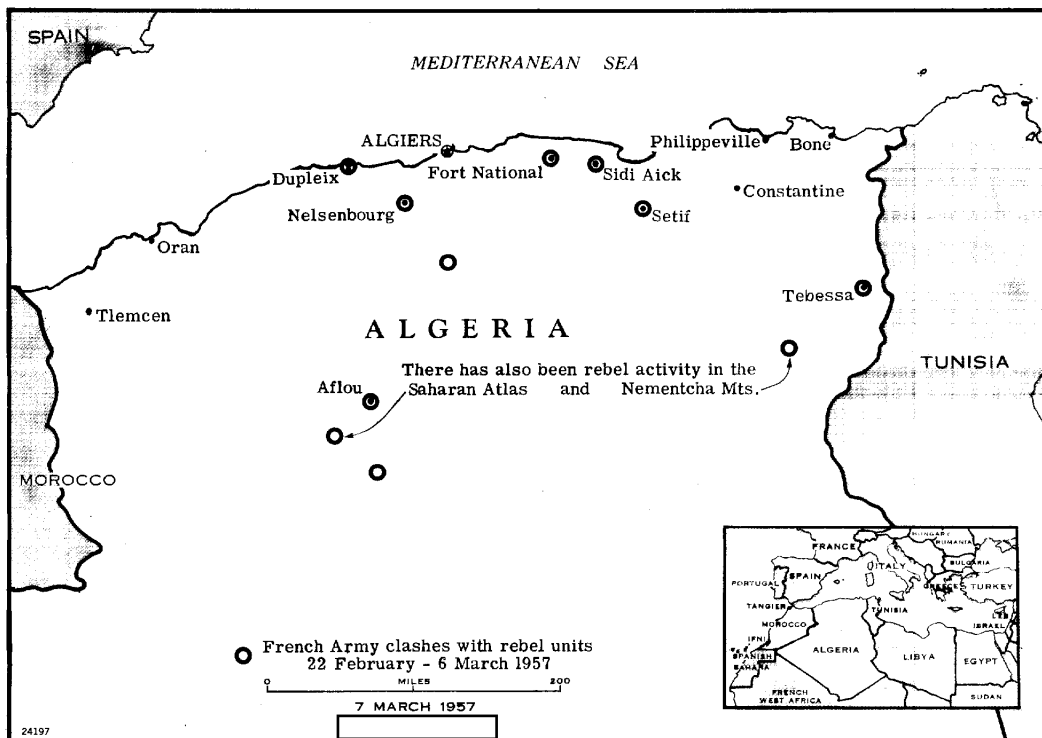


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Several clashes have occurred during the past week between unusually large rebel bands and French military units, which may indicate that the rebels have obtained new supplies of arms. French military casualties totaled 53, the highest toll since early October, while rebel casualties reached a record high of 782 dead. Two helicopters were downed by rebel ground fire.

The FLN has not yet responded to Mollet's cease-fire appeals. The American consul in Algiers believes that stepped-up activity by the French army may lead to local cease-fires when individual rebel commanders surrender rather than a negotiated cease-fire for the entire area. Negotiations, he believes, would be a "painful surprise" to both European settlers and the army.

The FLN organization is reportedly unwilling to consider disarming the rebel bands before elections are held because it fears there will be a settler uprising when elected Algerian representatives demand independence. Meanwhile, in Paris, the demand is growing for Mollet to impose a deadline for Algerian acceptance of a cease-fire. A general policy debate in the National Assembly scheduled for 15-16 March may serve as a sounding board for new approaches to the Algerian problem.

Some 20 members of a French counterterrorist group involved in the 16 January attempt to assassinate General Salan, commanding general of all French forces in Algeria, are now on trial in Algiers. The group, allegedly formed a year ago, is charged with printing and

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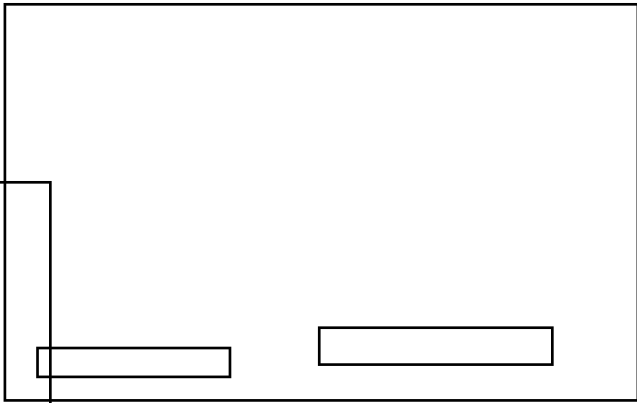
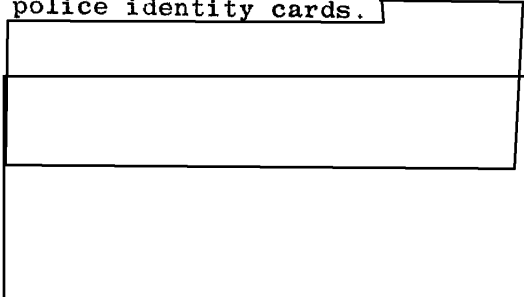
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distributing subversive leaf-lets, killing a Moslem whom they had kidnaped, and faking police identity cards.



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AFTERMATH OF THE THAI ELECTIONS

Political demonstrations in Bangkok stemming from opposition charges of irregularities in the 26 February national elections led the Phibun regime on 2 March to declare a state of emergency. The regime's allegation that the people were being incited by "foreign nationals," presumably meaning local Chinese Communists, are not supported by evidence. Al-

(SMP) was closely contested for Bangkok's nine seats. At one point, government candidates barely held leads for five seats, while the conservative Democrat Party was leading in the other four. After an eight-hour interruption in the announcement of results, seven SMP candidates suddenly emerged as winners, with only two Democrats, including their leader,



PHIBUN



PHAO



SARIT

though tension appears to have eased, the emergency decree is still in effect.

While winning handily in the country as a whole, the ruling Seri Manangkhasila Party

Khuang Aphaiwong, being declared winners. This development touched off sharp and widespread protests by the opposition and the press, which caused the government to impose a state of emergency.

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During the emergency, General Sarit, the Thai army chief, was placed in command of all of the armed forces, as well as the police, which heretofore had been controlled by his political rival, Police Director General Phao. Sarit, in exercising his new authority, has thus far conducted himself with considerable political finesse. He successfully brought a student mob under control on 2 March and subsequently made it clear at a press conference that he considered himself to be fully in charge of the situation.

The government is in no danger of being overthrown by the opposition, but it appar-

ently feels compelled to find a scapegoat for the electoral frauds. The logical candidate would be Phao, who is also the secretary general of the SMP. Phao clearly is under a heavy cloud, and little has been heard from him during the present emergency.



## LAOTIAN CABINET OPPOSES CHINESE COMMUNIST AID

The Laotian cabinet has rejected the Pathet Lao demand that it request aid from Communist China as a condition for a final settlement and negotiations are now deadlocked. Prime Minister Souvanna Phouma told Pathet Lao chief Souphannouvong that a settlement was possible only on the basis of the communiqué which they signed on 28 December and Pathet guarantees that the two northern provinces and Pathet forces would be placed under the control of the royal government simultaneously with the formation of a coalition government. Souphannouvong's initial reaction to this "final offer" was negative, and he was reportedly given a deadline of 10 March within which to reply.

Failing to win cabinet acceptance of his counterdemand for Chinese Communist aid, Souphannouvong, with the assistance of opposition leader Bong Souvannavong, is now concen-

trating on winning support among assembly deputies in an effort to generate sufficient pressure to reverse the cabinet's decision. Most to the deputies probably are opposed to the aid in the view of the American embassy. In fact, the influential Independent Party has already taken a clear-cut stand against such aid.

In the face of Pathet counterdemands and definite opposition to any more concessions within his cabinet, Souvanna Phouma's earlier optimism over the prospects of a settlement has turned to pessimism. His attitude is shared by the government's chief negotiator and the president of the National Assembly, both of whom believe that the deal is off "at least until autumn." Their remarks suggest they do not envision any final rupture in negotiations but rather that both sides will remain in contact to resolve their differences.

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It is quite possible that Souphannouvong will retreat from his position on Chinese Communist aid in order to protect concessions already won in negotiations, reasoning that once the Pathets are in the cabinet they will be able to induce Laos to accept Communist bloc assistance. A more immediate and critical issue would appear to be the government's demand that Pathet forces

be placed under its control simultaneously with the formation of a coalition government.

Rather than break off negotiations, Souphannouvong may attempt to work out some formula which will ensure continued Pathet Lao control over its forces after they are nominally integrated into the Laotian army.

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## RESUMPTION OF BURMESE PREMIERSHIP BY U NU

The Burmese Chamber of Deputies on 28 February unanimously reappointed U Nu as prime minister. Nu had turned over his office to Socialist Ba Swe last June, citing a desire to devote his full attention to the reorganization and "purification" of the Anti-Fascist People's Freedom League, the government coalition. For the past three months, however, Nu has been maneuvering intensively against a strong Socialist faction led by Deputy Prime Minister Kyaw Nyein to regain the premiership.

The fact that Nu will keep Ba Swe's cabinet virtually intact, including Deputy Prime Minister Kyaw Nyein, indicates

that he and Kyaw Nyein have, for the moment at least, patched up their differences. The outgoing prime minister, Ba Swe, will still be a powerful figure in his capacity as deputy prime minister for defense.

While Nu's return probably foreshadows no basic changes in foreign policy, he has in the past shown himself to be more vulnerable to the blandishments of such Communist leaders as Chou En-lai than Ba Swe. Nu has said there will be no changes in government policies, but there is some indication he may be amenable to a new effort to reach a settlement with the insurgent Communist groups.

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## POLITICAL MANEUVERING IN CEYLON

Prime Minister Bandaranaike is apparently alarmed at a growing threat to his position from the United National Party (UNP), which the prime minister's popular front soundly defeated in

the Ceylonese national elections last April. Having unexpectedly lost a majority of municipal elections to the UNP last December, Bandaranaike now seems to lack confidence in his ability

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to maintain his own strength in rural areas, which will vote for village committee posts between April and June.

Since he was elected in April 1956, Bandaranaike has not actively pressed the socialist program he advocated during the campaign. His most solid achievements domestically to date have been to reduce the prices of rice and sugar and to provide--with some foreign help--free milk and a bun to school children. His decisions to make Sinhalese a state language, to eliminate British military bases, and to establish diplomatic relations with Communist China and the USSR resulted in no direct benefits to the Ceylonese citizenry.

Major plans, such as nationalization of bus transport and of foreign-owned tea and rubber plantations, have not been carried out and no progress has been made in relieving unemployment, ending labor disputes in Colombo harbor, or improving relations with the Tamil-speaking population of northern Ceylon. Economically, 1956 was a year of stagnation or slight decline, in marked contrast with the two preceding years.

Having worked hard to revitalize its organization, the UNP won 13 of 31 municipal elections in Colombo on 15 December, while Bandaranaike's coalition won only five. Former UNP prime minister Sir John Kotelawala returned to Ceylon from Britain in January, and another popular former prime

minister, Dudley Senanayake, came out of retirement to rejoin the UNP in February. In early 1957, the party, apparently encouraged by its successes, began a whispering campaign to the effect that Bandaranaike's leftist government should be dissolved and new elections held.

Bandaranaike apparently now fears for his government's stability. In his presidential address to the annual convention of his own Sri Lanka Freedom Party on 2 and 3 March, he accused "forces of reaction" of trying to "hamper the work of the government and even perhaps to create some crisis calculated to secure the downfall of the government." His party pledged to speed up social and economic reforms and to provide for a "reasonable use" of the Tamil language. The UNP, which meets on 9 and 10 March, presumably will attack Bandaranaike's program.

The American embassy in Colombo is concerned lest Bandaranaike turn toward the Communist and Marxist parties for support in defending himself against the UNP. Bandaranaike personally would probably prefer to continue his moderate socialist course, and he reportedly has refused an offer of co-operation from the Ceylonese Communist Party. If the UNP makes a major comeback in the several hundred village committee elections scheduled for this spring, however, Bandaranaike may consider acceptance of additional leftist support.

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## PEIPING STEPS UP CAMPAIGN FOR "PEACEFUL LIBERATION" OF TAIWAN

During the past month, the Chinese Communists have given new impetus to their continuing psychological warfare campaign to soften Chinese Nationalist

morale and encourage defections to the mainland. There has been a new spate of Communist-inspired rumors concerning "negotiations" between Taipei and Peiping. Chou

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En-lai, in a major policy speech on 5 March, declared confidently that "more and more military and administrative personnel in Taiwan are willing to bring about peaceful liberation." A "Committee for the Peaceful Liberation of Taiwan," made up of former Nationalist officials, has recently been set up by the Communists and will probably play a prominent role in Peiping's campaign.

On 5 February, a Communist newspaper in Hong Kong kicked off the current rumor campaign by republishing the Japanese consul general's statement to the press a week earlier on the possibility that both the Communist and Nationalist Chinese were "putting out feelers" for negotiation of a "peaceful union" between Taiwan and the mainland. On the same day, a smiling Chou-En-lai told reporters in Colombo that he would gladly go to Taiwan if asked, and declared that "Chiang Kai-shek is my old friend."

On 9 February a Paris newspaper carried reports, apparently originating in Hong Kong, that Chiang Ching-kuo was negotiating with Chinese Communist politburo member Chen Yi to make Taiwan an autonomous territory of the Chinese People's Republic. Since then, the Communist press in Hong Kong has featured almost daily reports--some purportedly originating in Taiwan--that negotiations are proceeding in secret.

The pro-Communist Ta Kung Pao in Hong Kong on 19 February repeated previous reports of a meeting between young Chiang and Chen Yi, with amplifying details of a five-point program for the integration of Taiwan into "People's China."

Next day another Communist daily in Hong Kong publicized a 10-point proposal for a "unified China" to be presented in the UN by Madame Soong Ching-ling, widow of Sun Yat-sen, which was allegedly being drawn up in secret meetings between representatives of the two Chinas.

Since mid-February, Peiping's broadcasts have given special emphasis to the theme of American unreliability as an ally. The Communists have directed Chiang Kai-shek's attention to alleged American support for liberal elements on Taiwan critical of the Nationalist government. Chou En-lai underscored this point in his 5 March address when he formally charged the United States with attempting to overthrow the existing Nationalist authorities in order to turn Taiwan into an American dependency "like Honolulu."

Taipei has denounced all reports of negotiations as "absurd and ridiculous" and there is no evidence that these stories have any foundation in fact. Ambassador Rankin reported on 26 February, however, that the Nationalists are "obviously disturbed," fearing the Communist fabrications will be believed in the United States.

Chiang Kai-shek himself on 2 March reiterated earlier promises of a fighting return to the mainland in what appears to be an attempt to counter "peace" rumors. Ambassador Rankin reported on 5 March that a high-ranking Nationalist official had asked him whether another trip to the United States by Chiang Ching-kuo might not now be timely in order to help scotch reports of a "deal" with the Chinese Communists. [redacted] 25X1

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## POLITICAL CONTROVERSY ON TAIWAN

Criticism of the Nationalist government by Free China, a fortnightly published in Taipei, has underscored the political rivalry between liberal and authoritarian elements of the Kuomintang. Several anti-Communist papers in Hong Kong have denounced the "undemocratic action" the Chiang regime has taken against Free China. The American consulate in Hong Kong describes this as the most serious flare-up among anti-Communist groups in recent years.

A call by President Chiang on his birthday last October for constructive criticism was followed by increased press criticism of the government. Subsequent issues of Free China included a series of editorials written from the United States by its publisher, Hu Shih, calling for an end to one-party rule and the abolition of several security organs. In December, security boss Chiang Ching-kuo denounced Hu in a Kuomintang meeting, and demanded that the ideology represented by Free China be crushed.

The press remains the principal lever of liberal ele-

ments on Taiwan which favor the formation of a genuine opposition party, and reportedly desire the convening of a "national salvation conference" as a step in this direction. A spokesman for the liberal group has asked for American support.

Kuomintang countermeasures--other than harassment of Free China--have included the establishment of a new youth group, destruction of copies of liberal periodicals mailed from Hong Kong, and new emphasis on Sun Yat-sen as the ultimate source of Kuomintang ideology. Although the Kuomintang reportedly desires an amicable settlement, letters to progovernment newspapers have called for mob action against Free China. President Chiang has been reluctant to acknowledge the controversy, observing only that the people "should refrain from...destructive attacks" against the government.

Peiping radio, in an attempt to create dissension between the United States and the Nationalists, has alleged that both Free China and the Hong Kong papers which have criticized Taipei are American financed.

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## PEIPING BEGINS LARGE-SCALE DEVELOPMENT OF HYDROELECTRIC RESOURCES

Communist China, which claims a hydroelectric power potential second only to that of the USSR, has undertaken a large-scale program to develop these resources. Most of its imposing schemes are still on the drawing boards, and only relatively minor projects have

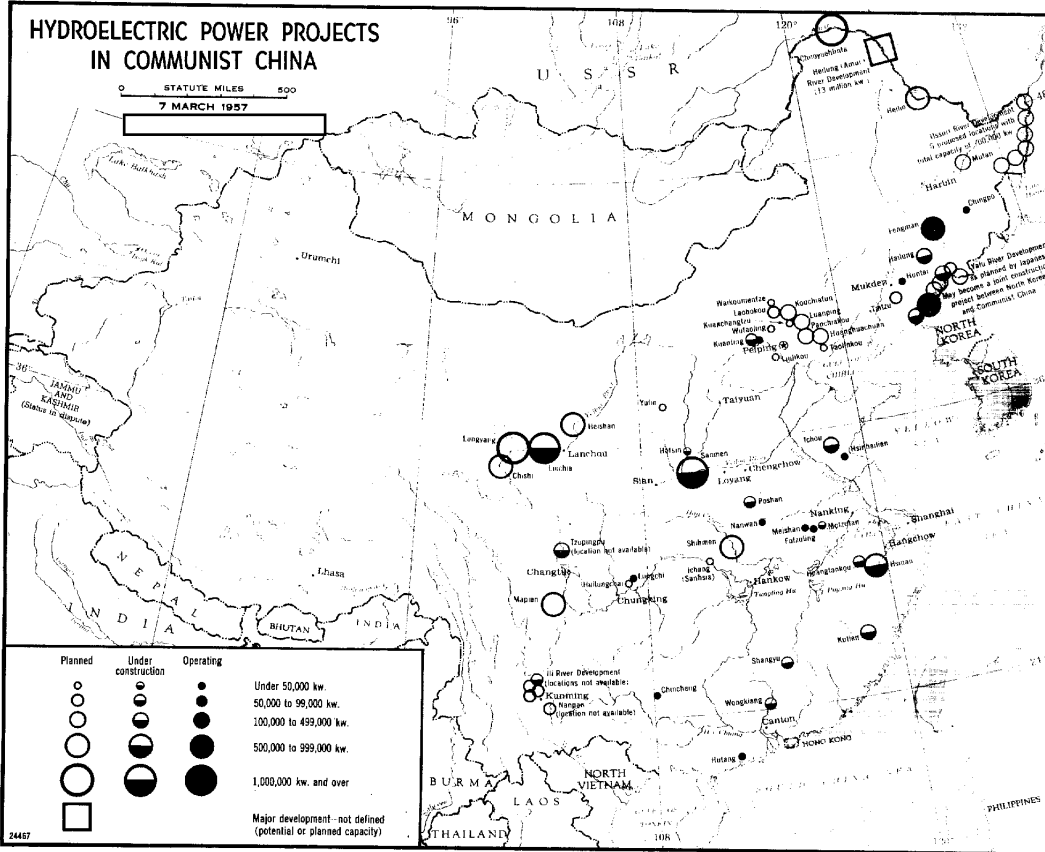
been started. Reports indicate that work on several large projects is under way, however, and more are scheduled to be started during the Second Five-Year Plan (1958-1962). Hydroelectric plants, which produced only 20 percent of the total electric power generated in China in 1956,

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will be generating 30 percent in 1962 and 40 percent in 1967.

Of a total of around 1,700,000 kw. in electric generating capacity installed since 1949, Peiping has announced that 450,000 kw. was in hydroelectric plants and the remainder in thermal plants. Some 350,000 kw. was installed at Fengman, the site of China's largest hydroelectric plant, which was stripped of most of its generating equipment by the USSR just after World War II. Smaller plants have been built at Kuanting (30,000 kw.) and Lungchi (24,000 kw.), and several even smaller plants as part of the Hwai River conservancy scheme.

A basin-wide, multipurpose program has been developed for the Yellow River, long termed "China's sorrow." Present plans call for the construction of 46 dams. Peiping has estimated that the total theoretical capacity for the entire program is about 23,000,000 kw., almost seven times the present national thermal and hydroelectric total. The largest installations reported are 1,000,000-kw. plants for the Sanmen, Liuchia and Lungyang Gorges. Blueprints for the Sanmen project recently arrived from the Soviet Union, and preliminary work is under way at the site. It will be the first large project on the Yellow River program to be completed and will provide power

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for the industrial areas around Loyang, Sian, Taiyuan and Chengchow.

Joint Sino-Soviet surveys of the Amur and Ussuri Rivers, which form part of the border between Manchuria and Siberia, have been made, and a program for their joint development is being drawn up in the USSR. A total of 5-6,000,000 kw. is foreseen to serve industries on both sides of the border.

China's largest river, the Yangtze, which rises in a wild and remote section of the Tibetan plateau, is potentially the nation's most important source of hydroelectric power. Major development of the river lies well in the future, however, and overall planning for the river's development has not yet begun.

Some work has been done on tributaries of the Yangtze in Szechwan. Two plants are scheduled to be started farther downstream during the Second Five-Year Plan, a 560,000-kw. plant on the Han River and a 90,000-kw. one on the Kan. They will eventually provide power for industry in the Wuhan area. Work has begun on a 560,000-kw. plant on the Hsinan River in East China. A service railroad to the dam site is being built and is expected to be finished by September. This plant will supply power to industries in the Shanghai-Nanking-Hangchow triangle.



Site of hydroelectric station on the Hsinan River in Chekiang Province.  
-from China Pictorial, November 1956

The rapid industrialization of China led to acute, although localized, shortages of electric power last year, and Peiping has said that investment is to be concentrated this year in "lagging" industries, such as electric power. During 1957 and in the years following, capital available for investment in the electric power industry will be limited and the cheaper operating costs of hydroelectric plants must be weighed against less costly thermal plants, which can be put into operation more quickly. Peiping has charted a course of investment in hydroelectric projects, which, as they begin to produce, will be of great assistance in creating new industrial centers throughout China and in making possible for the first time a series of interconnected power systems. [redacted] Prepared by ORR)

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## THE ITALIAN GOVERNMENT'S PARLIAMENTARY DIFFICULTIES

Premier Segni's coalition government is entering a period of intensified political maneuvering as several of the smaller coalition parties reconsider their political alignments.

Although a confidence vote in the Italian Chamber of Deputies on 1 March reconfirmed the Segni government by a 285-277 margin, the coalition may be seriously threatened if Segni poses additional votes of confidence on individual articles of the government's bill regulating farm contracts.

Segni has insisted on a compromise bill which gives landowners the right to dismiss farm tenants after a stated period of years and at earlier intervals for "just cause." This has been opposed by the champions of both "property rights" and "workers' rights," and Segni now appears willing to permit the Democratic Socialists and Christian Democratic labor leaders to amend the "just cause" provisions. Conservative elements, however, profess that they will accept no further compromise.

The small Republican Party, which is not represented in the cabinet and has only five seats in the Chamber of Deputies, brought the question of the government's support to a head on 24 February when it announced that it was resuming its freedom to vote against the government. Without Republican

support, Segni won by only eight votes.

A key factor in the coalition's future is the position of the Democratic Socialist Party, which has four cabinet posts and 19 seats in the chamber. Its withdrawal as a step toward unification with Nenni's Socialist Party would automatically cause a crisis. Although the Democratic Socialists are committed to stay in the government pending further proof of Nenni's good intentions, their leaders are increasingly concerned about maintaining a "left-of-center" posture, which is hampered by their support of Segni.

Another source of friction is the 2 March appointment of right-wing Christian Democrat Togni as minister of state participation in business enterprise. Togni has been opposed by left wingers in the cabinet, and the Democratic Socialists announced in 1954 that they would never again serve in the cabinet with him.

Segni may still avoid a showdown by postponing or prolonging the debate on agrarian contracts. All of the center parties wish to speed ratification of the Common Market and EURATOM treaties. Moreover, a breakup of the coalition now would almost certainly lead to early elections and none of the parties wishes to take the blame for provoking a change from the scheduled 1958 date.

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## FRENCH COMMUNISTS STAGING COMEBACK EFFORT

The French Communist Party is staging a drive to stem its continuing membership losses, which amounted to 70,000 in the past year. The party leadership hopes to attract the support

of labor by a new campaign for wage increases and is making conciliatory gestures to opposition elements within the party.

On 2 March the party announced its total membership as

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287,500, some 70,000 below last year's figure. The admitted loss of card-carrying members was accompanied by a flight of intellectuals from the party's front groups over its stand on Hungary and Suez. A fall in electoral support was indicated in the January by-election in Paris, and a by-election in a rural department on 10 March may continue this trend.

Over the past few months the labor arm of the party, the General Workers Confederation (CGT), has suffered losses in plant elections ranging from 5 percent to 30 percent, while non-Communist unions have registered substantial gains. The Communists' political isolation has also encouraged a renewal of efforts in the National Assembly to ban the party as a legal organization, and has led some municipal councils to cut off various governmental subsidies to the party.

The party leadership still appears to remain firmly in control--despite faint rumors in the Socialist Party press of the replacement of Secretary General Thorez--and now seems trying both to conciliate

opposition elements within the party and to increase its appeal to the French worker.

An important move is the CGT's new aggressiveness in pressing for new wage increases since this line has in the past proved the party's most effective issue in maintaining its position with the workers. With inflation a growing threat in France and labor generally showing an increasing willingness to strike, the prospects for success in this Communist effort seem greater than at any time in the past year.

In its conciliatory efforts, Charles Tillon, one of the "hard line" group expelled from the party in 1952, was officially rehabilitated in February. The scheduled visit of a party delegation to Yugoslavia appears to be a compensating concession to other dissatisfied elements within the party. The central committee is also encouraging increased contact with other Communist parties and apparently proposes to complete this year a round of visits to most of the Soviet bloc countries. At the same time, a new party history is said to be under preparation to replace the present history written by Thorez. 25X1

## THE NATIONAL CONGRESS OF THE ECUADORAN COMMUNIST PARTY

The national congress of the Ecuadoran Communist Party (PCE)--the first in a Latin American country since the Hungarian crisis--probably will convene on 8 March as scheduled, but in an atmosphere of political isolation, unusual governmental hostility, and considerable party dissension. Beside the confusion arising from Soviet policies on de-Stalinization and the

Hungarian revolution, the party is confronted with a split in one of its major front organizations and the possible loss of its legal status.

The PCE, which has about 2,000 members and 4,000 sympathizers, maintains its strong influence in leading labor, student, and intellectual organizations in Ecuador. In

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national elections last June, its secretary general, Pedro Saad, was re-elected by direct union vote as one of the two senators constitutionally allotted to organized labor.

The party suffered a serious defeat, however, in the election of the conservative Ponce as president over the candidate of a Communist-backed coalition of Liberals and Socialists. The Liberals--the major element in this coalition--and all the other opposition parties, except the Socialist, appear hostile to the PCE at present. The head of the Liberals, probably Ecuador's second strongest party, is organizing an anti-Communist juridical movement in the hemisphere. The Communists suffered a further setback in late 1956 when a split developed in the pro-Communist University Student Federation. The rightist minority formed a separate organization and withdrew its affiliation with the Communist International Union of Students in Prague.

The Ponce government, however, is the principal threat to the party's strength. Ponce, who demonstrated his staunch anti-Communist views when he was minister of interior, has

stated on several occasions since taking office last September that he will outlaw the PCE once his political position has strengthened, and he reportedly plans to exile or imprison Saad. Ponce also intends to seek an early pretext for breaking relations with Czechoslovakia--the only bloc nation with a mission in Quito--an action which could both damage the PCE's prestige and sever its most available direct link with international Communism.

The party congress--the first the PCE has held since 1952--will probably center its fire on Ponce, attacking his unpopular economic austerity program and striving to communicate to Ponce's sizable opposition in other parties the availability of PCE support in any attempt to overthrow the government by violence. The congress may also receive indoctrination on the present Soviet line from Saad, who reportedly attended conferences in Prague and Peiping in late 1956. The Ecuadoran congress may thus foreshadow some of the new international policies which may be considered by the Argentine and Brazilian Communist congresses reportedly to be held in the near future.

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## NEW REVOLUTIONARY PRESSURES IN ARGENTINA

The provisional Argentine government's concern over plans for another "Peronista" uprising is reflected not only in its recent arrest of certain Peronista, retired military, and "nationalist" elements, but also in new concessions to labor and in various reassuring policy statements. Skepticism over the Aramburu regime's stated intentions to hold national elections

impartially and by the end of 1957 threatens to alienate military elements, who remain the key factor in any Argentine government's stability.

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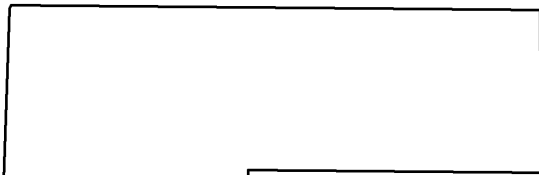
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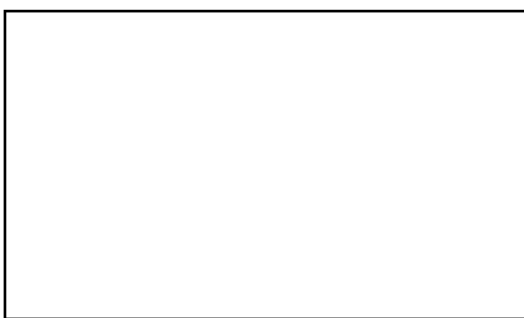
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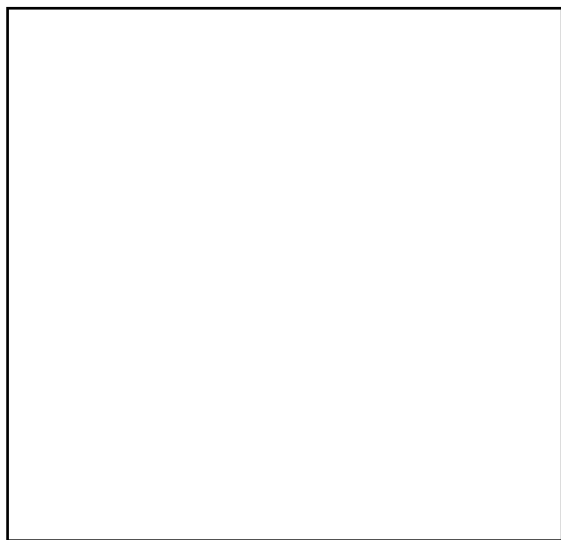


A military alert was decreed on 1 March in the two northeastern provinces of Misiones and Corrientes, which border Paraguay, Brazil and Uruguay.



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The bulk of the army and part of the air force are determined that elections should not be delayed or influenced by the regime, and many officers reportedly remain unconvinced by official assurances on this subject. The government's concern over this skepticism is revealed not only in its repeated statements regarding impartial elections but also in its evident attempt to conciliate trade union elements. It has suddenly settled several labor disputes pending for the past month and has released a number of workers arrested for fomenting labor difficulties which had strong political overtones.

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USSR MINISTRY OF STATE CONTROL STRENGTHENED

The Ministry of State Control under Deputy Premier V. M. Molotov is apparently re-emerging as a powerful instrument of central authority over certain aspects of the Soviet economy. This ministry was one of the government's economic policemen under Stalin but had lost importance since 1953.

For the last few years, the functions of the ministry had apparently been largely

limited to auditing the financial records of enterprises. The reduction of the organization's influence was a part of the Soviet campaign for "Socialist legality," designed to limit the arbitrary power of control organs of the Soviet government. Since Molotov's appointment as minister last November, however, the organization apparently has begun to recover some of its lost importance.

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An example of the ministry's increased activity is its recent publication of a report on the pollution of the Caspian Sea through improper disposal of industrial wastes.

In addition, an article in the 28 February issue of the trade newspaper for the timber industry suggests that the State Control Ministry is now exercising certain punitive powers which it lost in 1948. The article noted that the ministry had levied numerous penalties and had ordered the dismissal of officials of the Ministry of Timber and of Kazakh SSR collective farms for improper cutting of and accounting for timber. However, according to the same article, the

Ministry of State Control had not resumed the practice of imprisonment; it must still transfer dossiers to the public prosecutor for criminal prosecution.

The decision of the central committee plenum last month called for strengthening the "organs of state control," suggesting that the ministry's functions and powers may be further enhanced. The regime probably feels such strengthening is necessary to prevent improper use of the authority which may be delegated to regional officials under the proposed drastic reorganization of the Soviet economy along regional lines.

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PART III

PATTERNS AND PERSPECTIVES

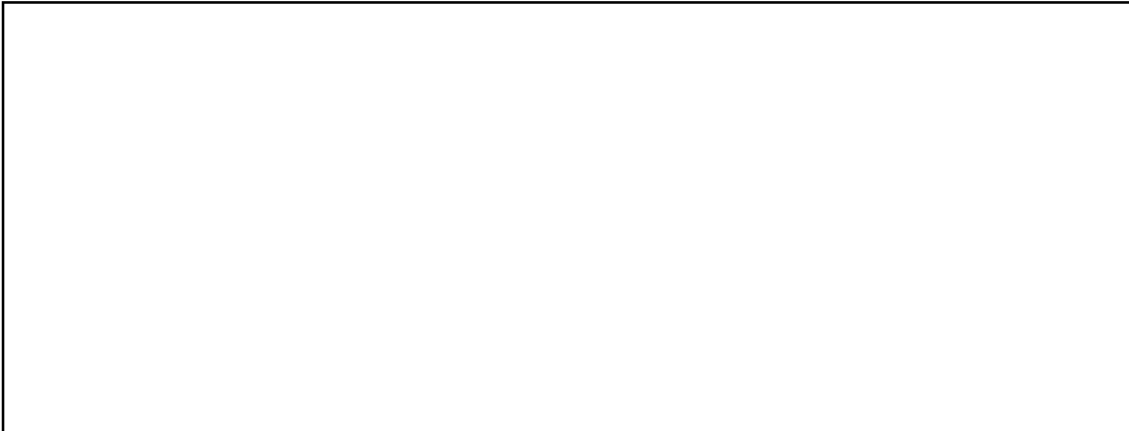
THE HUNGARIAN COMMUNIST PARTY UNDER KADAR

The Hungarian Socialist Workers (Communist) Party of Janos Kadar, now numbering some 200,000 members, is a mere shadow of the party of Matyas Rakosi which once numbered more than 800,000, with its nucleus of Moscow-trained experts. In his efforts to build up this shaky machine, Kadar has been

Muennich, were excluded for many years from the top positions for which their training in Moscow and previous services to Communism presumably qualified them.

The leadership is backed by a group of former Communist labor leaders of unquestioned

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forced to abandon his original declarations of moderation and, despite his regime's condemnation of the former "Rakosi clique," has resorted increasingly to the restoration of former middle-level "Stalinists" to positions of authority. He has failed completely in his efforts to attract the support of the working class necessary for any kind of a popular base, and there is evidence that factionalism remains a problem within the existing party organization.

Composition

The hard core of the Communist leadership headed by Kadar includes a group of "rehabilitated" former party leaders who, like Kadar and Minister of Culture Kallai, spent long years in prison under Rakosi. Others, notably First Deputy Premier Ferenc

orthodoxy who, however, in the past apparently favored somewhat more moderate tactics than those implemented by the Rakosi regime.

The leadership also includes certain opportunistic former left-wing Social Democrats who had collaborated with the Communists. Their leader, Gyorgy Marosan, was thrown into prison on orders of the Rakosi-Gero clique. These individuals staff the five-man secretariat and ten-man executive committee of the party and hold key government positions. Kadar himself is both chairman of the central committee and premier.

The major problem confronting the party leadership is that of finding trained and experienced individuals of undoubted political reliability to staff the government and

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party apparatus. As a result of Rakosi's policy of awarding key positions only to his own adherents, qualified individuals are closely associated with the coercive tactics and disastrous economic policies of the former regime. Other technically trained individuals have fled to the West or are discredited "Nagyists."

was made president of the sham People's Patriotic Front, now being pushed by the regime in an effort to capitalize on the popularity the organization achieved under Nagy's direction.

Finally, former minister of interior Laszlo Piros allegedly was brought back to Hungary to assist Soviet

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Kadar has already placed reliable Stalinists in key positions as heads or deputy heads of ministries. No politburo member eliminated during the revolution has yet been restored to the party central committee, but Jozsef Mekis, a proponent of heavy industry who achieved politburo status

security chief Serov in the interrogation of revolutionaries captured by the Soviet forces.

The Opposition

The liberal elements who supported Nagy, notably the idealistic writers and

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in April 1955 as a protégé of Gero, now heads the Ministry of Labor. The ambitious young Ferenc David, a provincial party secretary under Rakosi,

journalists who staged the writers' revolt of 1955 and inspired the revolution, have been reduced to impotence. Their leaders have been

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arrested or exiled and their followers denied any forum for their ideas. Nagy and his leading supporters--including Losonczy, Donath and Ferenc Janosi--are in Rumania, and the regime is apparently preparing charges of treason against them. General Pal Maleter, hero of the revolutionary fighting and now in prison, has also been accused of treason by the party press. Leading intellectuals--notably Gyula Hay, Tibor Zelk and Tibor Dery--have been arrested and may face public trial in the near future. Exponents of more liberal agricultural policies, such as Donath, may be called to account for jeopardizing agricultural collectivization.

Industrial workers--currently the regime's major objective of a membership drive--appear to be resisting inclusion in the new party.

Members of the old party, they are mindful of past Communist exploitation of labor, insist that in their Factory Workers' Councils they already have an organization, and are reported particularly resentful over the dissolution of their revolutionary organization, the Central Workers' Council. The regime is attempting to impose its own trade union organization on the dissidents in order to control them. The anti-Social Democrat campaign just beginning presumably is also intended to influence workers to join the party.

The continued opposition of youth to the regime is clearly indicated by recent arrests and house-to-house searches for arms in the universities. Some probably have turned against "socialism" altogether as a result of the Soviet reconquest of Hungary. Others may still hold national

**TOP LEADERSHIP OF THE HUNGARIAN COMMUNIST PARTY**

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POLITICAL COMMITTEE 17 JULY 1956 "STALINISTS"	POLITICAL COMMITTEE 18 JULY 1956	LEADERSHIP DURING REVOLUTION 23 OCT - 4 NOV 1956	EXECUTIVE COMMITTEE 28 FEBRUARY 1957
RAKOSI			
GERO	GERO	(GERO dismissed as first	(RAKOSI and GERO in USSR;
HEGEDUS	HEGEDUS	secretary, 25 October;	others under party censure;
HIDAS	HIDAS	others expelled from the	status of REVAI not clear.)
KOVACS	KOVACS	politburo, 24 October.)	
ACS	ACS		
SZALAI	SZALAI		
BATA	BATA		
PIROS	PIROS		
MEKIS	MEKIS		
	REVAI		
(Now pursuing Stalinist tactics.)			
"MODERATES"			
APRO	APRO	APRO	APRO
	KADAR	KADAR	KADAR
	KISS	KISS	KISS
	GASPAR	GASPAR	
	MAROSAN	MAROSAN	MAROSAN
	RONAI	RONAI	RONAI
		KALLAI	KALLAI
		KOBOL	
		MUENNICH	MUENNICH
			BISZKU
			FEHER
			SOMOGYI
		NAGY*	(Leaders under arrest;
		LOSONCZY*	NAGY, LOSONCZY and
		DONATH*	DONATH presumably
		LUKACS*	still in Rumania.)
		SZANTO*	
		KOPACSI*	

\*Members of committee elected to form new Hungarian Socialist Workers (Communist) Party, 1 November 1956, to replace former Hungarian Workers Party.

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Communist opinions. The regime is seeking to force the several youth groups into line and has announced its intention of reuniting them in a single organization on the old model.

Possible Factionalism

The government is seeking to intimidate its opponents by a show of force but is also attempting to give the appearance of moderation by emphasizing such "liberal" institutions as the Patriotic People's Front and the workers' councils and planning for an early convocation of the national assembly.

In an address to party members seeking to ascertain and follow the correct line, Kadar on 16 January acknowledged the confusion created when the regime imitated Rakosi's harsh tactics and simultaneously condemned the party's past overdependence on "state power," i.e., the security police. Party leaders have been forced repeatedly to disavow Rakosi. One leader, Antal Apro, went so far as to declare: "...the dismissal of Rakosi was already timely in 1953." These attacks on Rakosi, however, invariably are combined with much stronger charges against Nagy and his adherents for giving support to "counterrevolution."

One wing of the party is pressing for measures more extreme than any the Kadar regime has been willing to take to suppress opposition. In sharp criticism of this attitude, the central committee resolution of 28 February denounced as "uncomradely and intrigue-seeking" attempts to restrict the membership of the party, declared that recruitment of new members was lagging in Budapest and the provinces, and directed that former party members who registered by 1 May were to be admitted to the new organization.

On the other hand, Kadar has found it necessary in press articles to condemn "revisionism," suggesting that a moderate "reformist" element still

has influence within the central committee. No doubt the party leadership will seek to iron out such differences prior to the national party congress which is promised "within the next few months."

Tactics

Kadar is gradually being forced to abandon his original moderate policies in favor of coercion and suppression. First Deputy Premier Muennich has declared, for example, that judges must apply the "utmost severity of the law" against the "enemy." To implement these hard policies, party leaders have organized a new security force, under Muennich's henchman, Laszlo Matyas, and founded a workers' militia.

To restore party discipline and meet the demands of the Kremlin, the regime may have to stage trials of Nagy and his supporters, although such trials would evoke violent popular resentment among Hungarians. It might also simultaneously try such former Rakosi supporters as ex-minister of defense Mihaly Farkas and his son for violations of "socialist legality." Finally, Kadar's reported reference to Nagy's alleged connections with Cardinal Mindszenty suggest that the latter might also be charged with supporting counterrevolution, as a warning to party moderates who have believed concessions might be made to the church in the interest of national unity.

Kadar himself is in an ironical position: an old Communist labor man, he has evoked the desperate opposition of the industrial workers; a bitter personal enemy of Rakosi, he has been forced to resort to many of the same tactics he once excoriated; Reportedly hand-picked as party chief by Mikoyan and Suslov, Kadar is for all practical purposes the prisoner of the Soviet occupation forces in Hungary. He is said to be disillusioned and dejected by the knowledge that he is universally hated by the Hungarian population.

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## THE UN DISARMAMENT NEGOTIATIONS IN LONDON

The UN Disarmament Subcommittee, scheduled to reconvene on 18 March in London, will probably give priority attention to (1) reduction in conventional armaments; (2) resolving outstanding differences on international control, looking for agreed areas where tests of control and inspection techniques could be made; and (3) a study of possibilities for agreement on limitation of nuclear test explosions either as part of a disarmament plan or separately. In addition, the subcommittee will probably consider the question of projectiles entering outer space and the control of long-range submarines.

The subcommittee, consisting of the United States, the USSR, Great Britain, France, and Canada, was directed by the General Assembly to "give prompt attention" to disarmament proposals submitted by countries other than the four big powers represented on the subcommittee. Unless there is the prospect of some measure of accord, the talks are likely to recess after five weeks, or just prior to Easter.

Anglo-French Plan

London still believes that the Anglo-French plan of 19 March 1956 is the "best basic guide" for a comprehensive disarmament plan. However, according to a statement made on 15 January by Britain's chief UN delegate, London is prepared to participate in a partial disarmament plan provided that states would not be expected to "deprive themselves of weapons on which they relied the most to deter aggression."

The Anglo-French plan, originally designed as a synthesis of Soviet and Western positions, provides for conventional and nuclear disarmament

in three stages. Initiation of each stage is conditional on satisfactory completion of the preceding stage. The plan incorporates President Eisenhower's proposal for the exchange of military blueprints, Premier Bulganin's plan for establishing control posts at key transportation centers, and former French premier Faure's proposal to allocate savings from reduced military expenditures to improving standards of living.

French disarmament delegate Jules Moch still regards himself as the chief moderator between East and West on disarmament. On 25 January he stated that the latest American proposals "marked a great step forward toward rapprochement, while elements in the 17 November Soviet proposals gave hope that between 'all' and 'nothing' something was becoming possible."

USSR Proposals

On 17 November, the same date on which it announced the successful completion of another nuclear test, Moscow issued a new "seven-point" disarmament statement which again called for an immediate ban on nuclear tests. The plan is primarily a redraft of previous Soviet disarmament proposals, couched in language designed for maximum propaganda benefit but avoiding the key questions of adequate control and inspection. The only new feature of the plan is the expression of Moscow's readiness to "examine" the question of using aerial photography for inspection of a zone in Europe comprising 500 miles on each side of the line between Soviet and Western forces. Soviet delegate Kuznetsov, in his UN disarmament statement of 14 January, stressed the importance of the USSR's 17 November proposals and accused the Western powers of reneging on their own proposals when they were accepted by the Soviet Union.

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Although the USSR had agreed in December to hold the March subcommittee meetings on the ambassadorial level, Kuznetsov on 7 February proposed that the meetings be elevated to the foreign minister level. The purpose of this move apparently was to create the impression that the USSR is continuing its attempts to reach a disarmament agreement and to place the onus for rejecting this proposal on the Western powers. According to the press, Soviet spokesmen at the United Nations have said that Foreign Minister Gromyko will attend the meetings in any event.

US Proposals

On 14 January, Ambassador Lodge outlined to the UN General Assembly in broad terms five United States proposals, the specific details of which are to be explained in the subcommittee meetings. These proposals are: (1) under international supervision, to use, or stockpile, "exclusively for non-weapons purposes" all future production of fissionable materials both with subsequent allocations to peaceful purposes of material from past production; (2) to limit, and ultimately eliminate all nuclear test explosions; (3) to initiate a first-stage reduction, under adequate inspection, of conventional armaments and armed forces, using as a basis 2,500,000 men for the United States and the USSR and 750,000 for France and the United Kingdom; (4) to bring under international control the testing of outer space objects; and (5) to install, by progressive stages, inspection systems which will "provide against the possibility of a great surprise attack."

Nuclear Test Proposals

The establishment in 1955 of a UN committee to study and report on radiation effects has

not appreciably diminished the world-wide apprehension about nuclear testing. This apprehension was voiced by a majority of UN members at this General Assembly and led to an endorsement by these members of a proposal for advance registration of nuclear tests. This proposal, which was put forward in final form by Canada, Norway and Japan, was referred to the subcommittee for further consideration. Most members expressed the hope that advance registration would be the first step toward limitation and eventual elimination of all nuclear testing.

During the subcommittee discussions, Canada will probably reiterate its proposal that the nuclear powers agree not to increase the level of testing over that of last year, and that these powers voluntarily set a specific limit on the number of tests.

India has long been dissatisfied with the work of the disarmament subcommittee and, on 25 January, Krishna Menon urged that nuclear tests be suspended and expressed the hope that the subcommittee would realize that mere limitation of testing would only "give the evil a longer spell of life." The Indian government, because of its concern for an armaments truce and a ban on testing, expects a specific report on actual and expected world radiation "at an early date."

Other Proposals

A Yugoslav suggestion that the subcommittee adopt the method of "partial initial agreement" has been referred to the subcommittee by the General Assembly. Yugoslavia proposes that the subcommittee seek early agreement on such initial disarmament measures as reduction of conventional armaments and armed forces, cessation of nuclear tests, and reduction of military expenditures.

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In addition, proposals to increase the size of the sub-committee and the Disarmament Commission have been put forth by the Soviet bloc and endorsed by various UN members, particularly the Asian states. Any

increase in the size of these bodies, however, must be decided by the General Assembly, and most UN members still seem agreed that disarmament negotiations should take place among the powers principally concerned.

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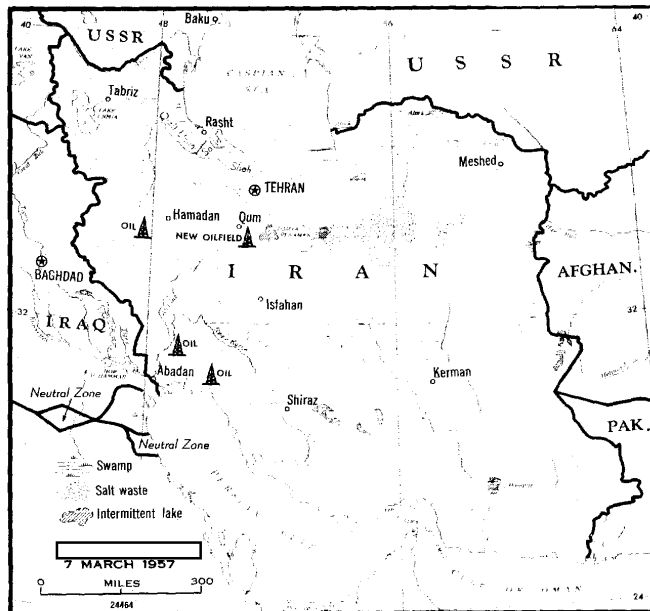
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**ECONOMIC DEVELOPMENT OF IRAN**

Iran, almost brought to bankruptcy by the economic policies of former prime minister Mossadeq, now is in a relatively sound financial position. Oil revenues, amounting to over \$150,000,000 last year, are considerably higher than before nationalization in 1951. With these revenues assured, Iran is embarking on an ambitious Seven-Year Economic Development Program. Oil revenues are more

than adequate to cover all expenditures envisioned, but inefficiency and corruption will probably limit the benefits Iran will receive from the plan.

Iran's Moslem but non-Arab population of about 19,000,000 is adequate to assure the country's steady economic growth if technological improvements are carried out in agriculture. Because of the country's size--628,000 square miles, about a fifth the size of the United States--and the rugged terrain--which includes large areas of jungles, deserts, mountains and swamps--a major part of the population is isolated, making economic progress and political control difficult. The substantial planned spending on the road and railroad network in the near future is apparently an attempt by the central government to establish and maintain effective control in these areas.



Persians have no racial or linguistic

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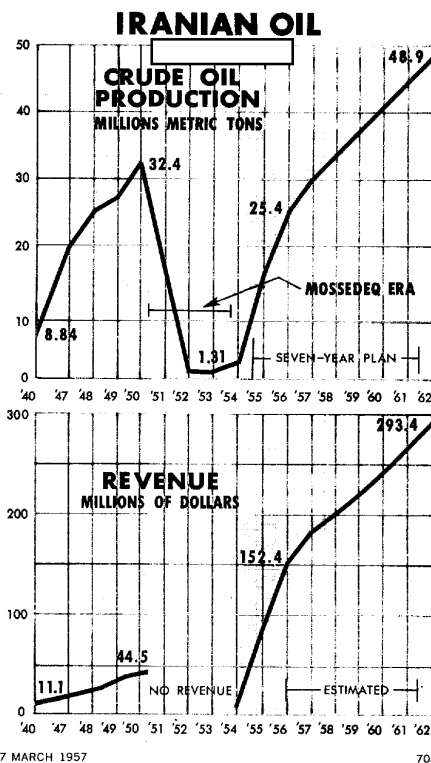
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affinities with the Arabs, and appeals for Arab unity have little effect in Iran. Cognizant of their long recorded history and the high cultural level reached in ancient times, Iranians tend to assume unconsciously a superiority over the Arabs, whom they regard as semicultured tribesmen. Even Islam, the only common link with the Arabs, was changed markedly when it was accepted by the Persians and, although Tehran often gives lip service to common Moslem aspirations, Arab appeals on a religious basis usually leave Iranian policy unaffected.

The Iranian government has little love for most Arab states, partly because of their opposition to the Baghdad pact and their anti-Western policies, and partly because they offered only token support in 1951-53 when Iran nationalized its oil industry. Since the Arab states took advantage of Iran's nationalization crisis to sharply increase their own production, Tehran now feels no obligation to support Arab oil policies by interfering with the production and marketing activities of the consortium operating the Iranian oil industry. Despite the Arab boycott of Israel, Iran has consistently supplied about 60 percent of Israel's petroleum requirements.

The Suez crisis, which sharply reduced oil revenues in the Arab countries, actually increased the income of Iran, the only major, non-Arab petroleum-producing country in the Middle East. When Saudi Arabia, following the British invasion of Egypt, cut off oil supplies to the refinery on British-controlled Bahrein Island, Iran readily increased production to help make up the deficit.

Before the Suez crisis, Iran produced about 17 percent



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of all Middle East crude oil. Crude production, however, is still somewhat below the level reached before nationalization and output is not expected to reach the 1950 high until next year.

While production has not yet regained the 1950 peak, revenues have increased markedly. Total oil revenues in fiscal 1950-51 were about \$44,500,000 and crude production about 32,000,000 tons. In 1956--as a result of considerably more favorable royalty payments--revenues were about \$152,400,000, while production reached only 25,400,000 tons.

Seven-Year Development Plan

The Seven-Year Development Plan law of 27 February 1956 provided that about 60 percent of oil revenues for the first three years and 80 percent

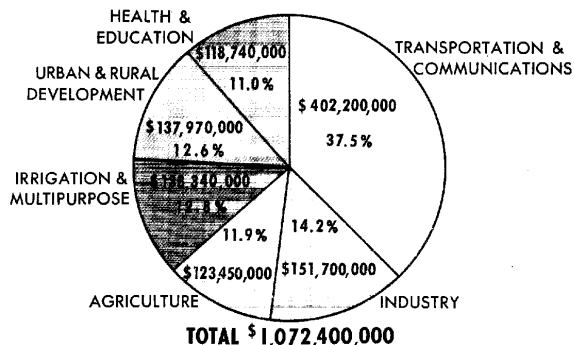
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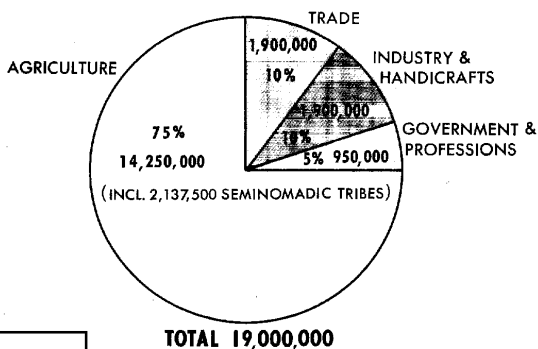
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**IRAN**  
**SEVEN-YEAR DEVELOPMENT PLAN 1956-1962**  
**ALLOCATION OF INVESTMENT**



**POPULATION DISTRIBUTION BY ECONOMIC SECTOR**  
(ESTIMATED)



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of trained personnel. Abol Hassan Ebtehaj, the present head of the plan, while apparently competent, is personally disliked by most Iranian politicians, who take every opportunity to block his projects.

Roads and Industry

The largest single category of planned expenditures--over \$214,000,000--is allocated for the expansion of the country's road network by about 15,525 miles. Despite the magnitude of this program, no estimates of the benefits the proposed roads would bring have been made nor has there been any recognition of the differences in soil mechanics in various parts of the country. Main roads through desert areas are designed approximately to the same specifications as

roads cut through the mountainous areas. As a result, a major portion of the roads will probably not be completed during the plan period. Iranian industry, largely state owned and principally textile workers, is to receive a relatively small share of development funds.

Agriculture

The value of Iranian agricultural output is roughly estimated to be \$813,000,000--almost 5.5 times oil revenue. Thus, Iran is unique among Middle East oil producers in that it is not exclusively dependent on oil. Despite its importance, Iranian agriculture is primitive, exceedingly

during the last four years of the plan would be allocated to economic development. Despite this relatively assured source of revenues--totaling about \$1.072 billion--the development plan will probably become bogged down because of inexperience, inefficiency and corruption. Corruption is a more or less socially acceptable form of behavior in Iran. No annual budget has yet been produced and funds are expended haphazardly and without adequate records. This has led to the popular belief--probably correct--that some development funds find their way into the pockets of various officials.

Perhaps the plan's most serious shortcoming is the lack

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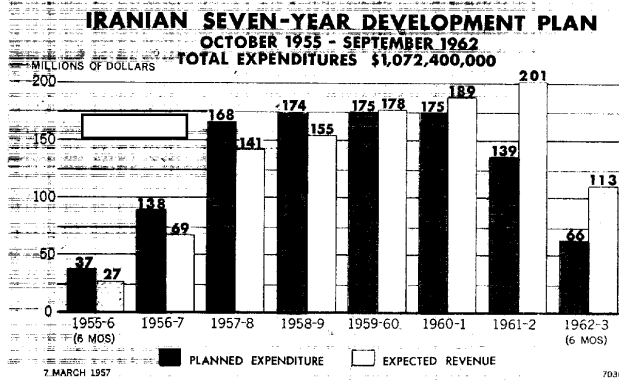
wasteful, poorly managed and largely limited to the northern portions of the country. For the most part, there is little peasant incentive because of the land tenure system, which permits about 1 percent of the landowners to own about 60 percent of the land. The planned direct investment allocation for agriculture in the Seven-Year Plan is relatively low--about 12 percent or approximately \$123,450,000--suggesting that there is a serious imbalance in the development plan.

Despite the rugged nature of much of the country, between 22 and 31 percent of the total land area is potentially cultivable--from 86,000,000 to 124,000,000 acres, but only 11,119,000 acres are now in crops and about 31,000,000 acres are fallow. Agricultural production could thus be substantially increased without an expansion of the presently cultivated area.

Irrigation

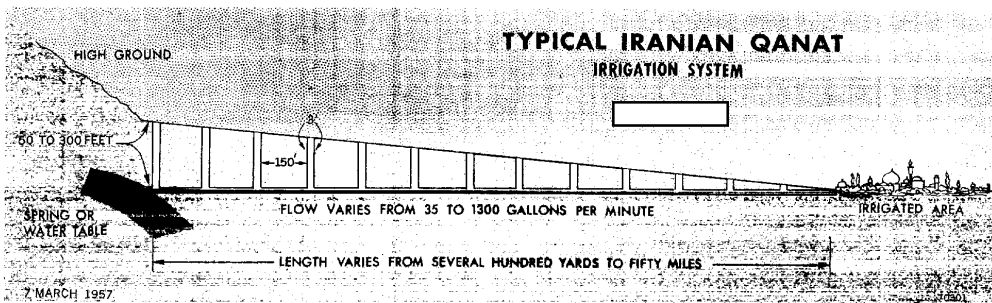
An expansion of Iranian agriculture would depend on better technology and improvement in the land tenure system, and most of all on an extension of irrigation. Some 30 to 40

percent of the cultivated area receives partial irrigation, but the lack of water has kept large areas of otherwise fertile land out of use. The Elburz and Zagros mountain ranges roughly divide the country laterally causing some rivers to run north to the Caspian Sea and others to flow south to the Persian Gulf; still



others are dissipated in desert regions.

Except for small local dams, Iran depends on an ancient system of underground conduits called qanats for nearly 75 percent of its irrigation needs. Qanats, which vary from a few hundred feet to 50 miles in length, are constructed by digging a series of holes about three feet wide and from 30 to 300 feet deep. The holes are connected by an underground tunnel so



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designed that the water reaches the surface at the desired location.

While there is no provision in the Seven-Year Plan for expanding or improving the network of qanats, some reconstruction and expansion is going on under private and Point IV initiative. Because of the high cost of maintenance, however, it would appear that qanats will eventually have to be replaced by mechanically lifted water.

Three major river projects are embodied in the Seven-Year Plan. The \$47,000,000 Sefid River project near the Caspian Sea calls for the construction of a dam at the confluence of the Kizil-Ozan and the Shah Rivers which will create a reservoir with a gross storage of 1.5 billion cubic meters. The waters are expected to provide irrigation for almost 250,000 acres of rice land, which could increase Iran's present rice production of about 450,000 tons by 40 percent.

The Saveh and Doroodzan River projects are designed largely for irrigation, although some electric power will be produced. These projects, however, are only in the early planning stages and construction is not likely to begin before 1958. Together the cost is estimated at about \$83,000,000.

Construction of the \$51,000,000 Karaj River project might begin soon. Preliminary work has been going on for about three years but has run into continual financial difficulties. The expected reservoir will be relatively small--about 205,000,000 cubic meters--and irrigation will be limited to about 19,000 acres. However, the project will supply Tehran with additional drinking water and electricity.

The successful completion of the major portion of the Seven-Year Development Plan is necessary if the economic and social conditions of the population are to be improved noticeably.

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