

~~SECRET~~**CONFIDENTIAL**

CURRENT INTELLIGENCE WEEKLY SUMMARY

28 March 1957

PART III

PATTERNS AND PERSPECTIVES

THE NEW PHILIPPINE ADMINISTRATION

The new president of the Philippines, Carlos P. Garcia, is a lifelong public servant and stalwart of the ruling Nacionalista Party. Because he has been identified with the "old guard" faction of the party, which has been inclined toward narrow nationalism, there is concern in Manila that the late president Magsaysay's programs and policies might be gradually shunted aside.

policies remain to be tested. Within six weeks after Magsaysay's inauguration on 31 December 1953, Garcia, who was then also secretary of foreign affairs, joined the ultranationalist Senator Recto in advocating an "Asia-for-Asians" foreign policy. Shortly thereafter, the reparations settlement he agreed to with Japanese negotiators was rejected by Magsaysay.

Garcia's Aspirations

The 60-year-old Garcia is a lawyer and landowner as well as a literary figure in the Philippines. His long record in public office includes the governorship of his native Visayan Province, and membership in the Philippine Congress, both before and after independence in 1946. His record, plus the pressure of the old-line Nacionalista conservatives, led to his nomination as Magsaysay's running mate in the 1953 elections.

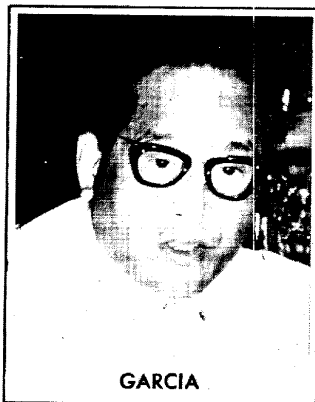
One of Garcia's first acts after succeeding to the presidency on 18 March was to promise to carry out fully the domestic reforms and pro-American foreign policy established by Magsaysay and to maintain the present cabinet in office. He declared that the Philippines would continue to co-operate with the United States and would oppose admission of Communist China to the UN; he rejected any notion that trade relations can be developed with the Communist bloc.

Garcia's willingness and ability to carry on Magsaysay's

As foreign secretary,

Garcia tended to disregard security, and delicate matters were frequently leaked to the press. In addition, his appointments were criticized for failing to improve the caliber of the Philippine foreign service. As a result, Garcia never won the confidence of Magsaysay

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GARCIA

However much Garcia may desire to follow the lead of his predecessor, there are indications that he intends to make the compromises required to win the presidential election in November. There are already rumors that he is making a deal with Senator Recto and that, to head off the candidacy of the powerful Senator Laurel, he will accept the latter's son, House Speaker José, Jr., as his running mate. In addition, Garcia's statement that economic development plans would continue to be studied raises the possibility that, in return for the support of the powerful sugar bloc, he may adopt their special-interest economic policies, which Magsaysay had opposed.

~~CONFIDENTIAL~~

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

28 March 1957

Administration Changes

Although Garcia has said he intends to retain the Magsaysay cabinet, changes are reportedly being discussed. The post of secretary of education is open, as the previous secretary was also a victim of the plane crash that killed Magsaysay.

Garcia has already made one important appointment in designating Raul Manglapus as acting foreign affairs secretary. Although the president intends to retain the foreign affairs portfolio himself, he has for all practical purposes put the department in the hands of a young but extremely capable appointee of Magsaysay. Manglapus had been heavily relied on to counteract the extreme nationalist pressures and anti-American attacks of Magsaysay's opponents. Although he is a member of the Citizens' Party, headed by Recto's campaign manager Senator Tanada, Manglapus remained firmly loyal to Magsaysay.

[redacted] reports that competent officers will continue in responsible positions suggest no immediate change in the emphasis on the advancement-by-merit policy in the armed forces which was instituted by Magsaysay.

It is considered probable, however, that Magsaysay's former army associates, whose prominence in civilian roles has been under heavy attack, may soon be replaced. Defense Secretary Balao is regarded as certain to be removed, and others soon to follow may include Defense Under Secretary Crisol, Labor Secretary Adevosos, and Agriculture Under Secretary Ferrer. Press Secretary Cruz reportedly has already resigned.

Rumors of a more extensive administration reshuffle involve the Central Bank governor, the secretaries of commerce, finance and justice, and the budget commissioner, one of the ablest officials in the government. Removal of aging Justice Secretary Tuason could pave the way for the elevation of Under Secretary Barrera, who is frequently alleged to have pro-Communist sympathies and, as a member of the Philippine negotiating panel, was the principal opponent of the American position on bases.

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ANTI-SEMITISM IN THE SOVIET UNION

The recent linking in the Soviet press of Russian Jews with alleged American intelligence activities underlines the Soviet leaders' condonation of anti-Semitism even though they officially deny its existence. Widespread arrests and dismissals of the so-called "cosmopolitan"--Jewish--intellectuals

ceased with the official declaration in April 1953 that the "doctors' plot" was a forgery. The post-Stalin thaw ushered in a period of relative relaxation and general improvement in the treatment of Jews, but discrimination continued.

Since the fall of 1956, Soviet Jews have again been

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

28 March 1957

subjected to more active discrimination focusing on students and intellectuals and linking them with Zionist and imperialist subversion. This development appears to be primarily a by-product of the present campaign against internal unrest and Western influences, rather than a campaign against Jews as such.

Policy in Relation to Jews

Since 1917 the Soviet regime has officially sought to achieve a multinational federation of brotherly peoples which together constitute a unified "Soviet culture." With regard to the Russian Jewish community, however, there has been a dichotomy in policy and propaganda. Policy has alternated between ignoring the Jews as a homogeneous group and isolating them as politically unreliable and contagious in their disaffection. Measures have been taken to fragment and starve out Jewish culture: virtually all Jewish theaters and newspapers were closed down in 1948; there was no rabbinical seminary from the early days of the Soviet regime until this year; the opening of synagogues and maintenance of existing ones are discouraged; and communication between Jewish communities has been virtually eliminated.

Since 1952 there have been persistent reports that a quota has been imposed on the number of Jews permitted in intellectual activities. According to these reports, the number of Jews in "sensitive" professions, i.e., scientific research and development, communications, transport and defense, is being cut down. Recent rumors stress the dismissal of many Jews occupying high administrative positions in the government bureaucracy, as well as engineers, scientists and technicians employed in strategic defense and research facilities.

[redacted] 25X1
[redacted] Jewish youths are discouraged from pursuing a higher education, especially in scientific fields. 25X1

Attitude of Leaders

[redacted] 25X1
[redacted] several of the top Russian leaders [redacted] 25X1
[redacted] have expressed strongly anti-Semitic sentiments and told anti-Semitic jokes.

In May 1956, Khrushchev bluntly asserted to a French Socialist delegation that restrictions on Jews entering higher educational institutions and holding white-collar jobs were justified by the re-creation of a large Russian intelligentsia to replace that decimated by the revolution and civil war. The obvious implication was that Jewish intellectuals were used after 1918 as a stopgap measure and can now be discarded. Kaganovich, himself a Jew, has insisted that the Jewish minority is being absorbed culturally and no longer displays any interest in Jewish theaters, schools or press.

Although Soviet propaganda has not abandoned the line that the Jews are being assimilated, it periodically exposes them as a weak link in Soviet society which must be isolated for security reasons. The ill-fated scheme to develop Birobidzhan as a Jewish national homeland in the Far East is a case in point. After "voluntary settlement" proved a failure, the Jewish emigration to Birobidzhan came to consist almost entirely of prisoners. As recently as November 1956 there was a rumored mass deportation to Birobidzhan of Jews and some Poles from the western border regions of the USSR. These deportations, if they occurred, were probably related to the crisis in Soviet-Polish relations.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

28 March 1957

Influence of Israel

Russian rulers, both Tsarist and Soviet, have often used the smoldering prejudices of Great Russians, Ukrainians, Belorussians and other nationalities against the Jews in order to divert popular discontent from embarrassing matters. The rise of Israel as a viable independent Jewish state has given the problem of the Jewish minority in the USSR new dimensions. Since September 1948 when Ilya Ehrenburg played the new state as the creature of bourgeois, nationalistic Zionist mystics, the official rationale for anti-Semitic policies has been the need for protection against an unassimilated, influential and politically unreliable portion of a minority group with powerful international connections.

The nine villains of the "doctors' plot" in 1953, five of whom were Jewish, were accused of having "sold themselves for dollars to American intelligence" through the American-Jewish Joint Distribution Committee, described as a "Zionist espionage organization." There is ample evidence that the Russian people drew an anti-Semitic inference from this and that this was the regime's intent. The coincidence of a vigilance campaign with the doctors' plot indicated that the attack on the Jews was only part of a larger target, namely, the general tightening of security and discipline.

The parallel to 1953 is obvious in the present concurrence of spy-scare vigilance propaganda with reports of rising anti-Semitism characterized by dismissals of Jews on a professional and security basis.

In 1957, however, the threat of intellectual unrest to internal security must be added to the alleged Zionist

threat to bloc security. A significant number of Jews in the Soviet Union are engaged primarily in intellectual activity despite the numerous measures in the past designed to disperse them to rural areas and to farm or factory labor. Thus, unrest among the intelligentsia and Zionist subversion of the Jewish minority are closely linked in official thinking.

The Moldavian Republic newspaper Sovetskaya Moldavid on 2 March reported the arrest of three spies, belonging to a Jewish sect, who had been engaging in "undermining activities" in Moldavia under orders from an "American center." The newspaper called for the "unmasking" of the sect because it was "interested not only in the Bible but in anti-Soviet affairs in liaison with American imperialists." Cited as evidence were typewritten letters in the Russian, Ukrainian and Rumanian languages, illegal literature of American origin and a report on the sect's activities from 1952 to 1956, purportedly found at its "regional office."

Any anti-Semitic movement in the Soviet Union, whether officially inspired or not, runs the risk of getting out of hand, and it is unlikely, therefore, that the present leadership will resort to actions resembling the doctors' plot. Quiet removal of Jews from positions in which they might have contact with foreigners or--from the point of view of an oversensitive regime--an opportunity to sabotage science and defense, will probably continue, however, along with arrests of Jews as Zionist spies, paralleling arrests of Great Russians and other nationals as imperialist agents.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

28 March 1957

PAKISTAN'S ECONOMIC PROBLEMS

The Pakistani government has recently instituted its first Five-Year Plan in an effort to overcome the country's basic economic problem--lagging agricultural production. The plan, if pushed vigorously by the government, should lead to economic progress sufficient to raise per capita income slightly. Pakistan would still, however, be heavily dependent on foreign aid when the plan ended.

When the Indian subcontinent was partitioned in 1947, almost all of its industry and about 90 percent of the trained administrators and technicians fell to India. The areas that became Pakistan were predominantly agricultural, with rice production in East Pakistan and wheat in West Pakistan just sufficient to feed the people and permit very small exports. The economy was heavily dependent on raw jute and cotton exports for its foreign exchange earnings.

Industrial Production

Despite their lack of experience, the Pakistanis have made striking industrial progress since partition. Industrial production began to expand rapidly after 1950, when large jute and cotton earnings made possible the importation of considerable amounts of industrial equipment. Pakistan had no jute mill in 1950; today, it has 12 and exports jute manufactures as well as raw jute. The cotton textile industry operated 178,000 spindles at the time of partition; today, it operates over 1,000,000 spindles and exports cotton textiles.

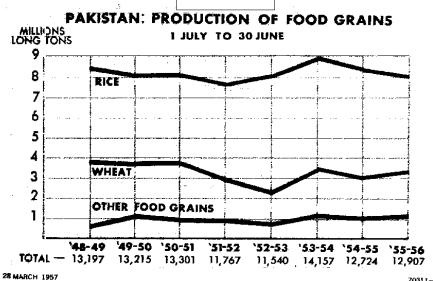
Production of steel ingots, cement, paper, electric power, tires and many types of consumer goods has risen rapidly since 1948, and output would have been even higher if there

had not been a shortage of spare parts and raw materials in recent years.

Industrial production should continue to rise rapidly in the future. Large-scale hydroelectric resources are available--chiefly in West Pakistan. A major natural gas field has been put into operation to supply fuel for industry in West Pakistan, and recent drillings have indicated that another sizable gas field may exist in East Pakistan. Four foreign oil companies, confident that large fields will be found, are already drilling for oil.

Food Grain Production

Pakistan's food production, however, has failed to keep up with its population growth of nearly 1,000,000 a year. The country needs to increase its food grain output by about 150,000 tons a year just to ensure its people their present diet





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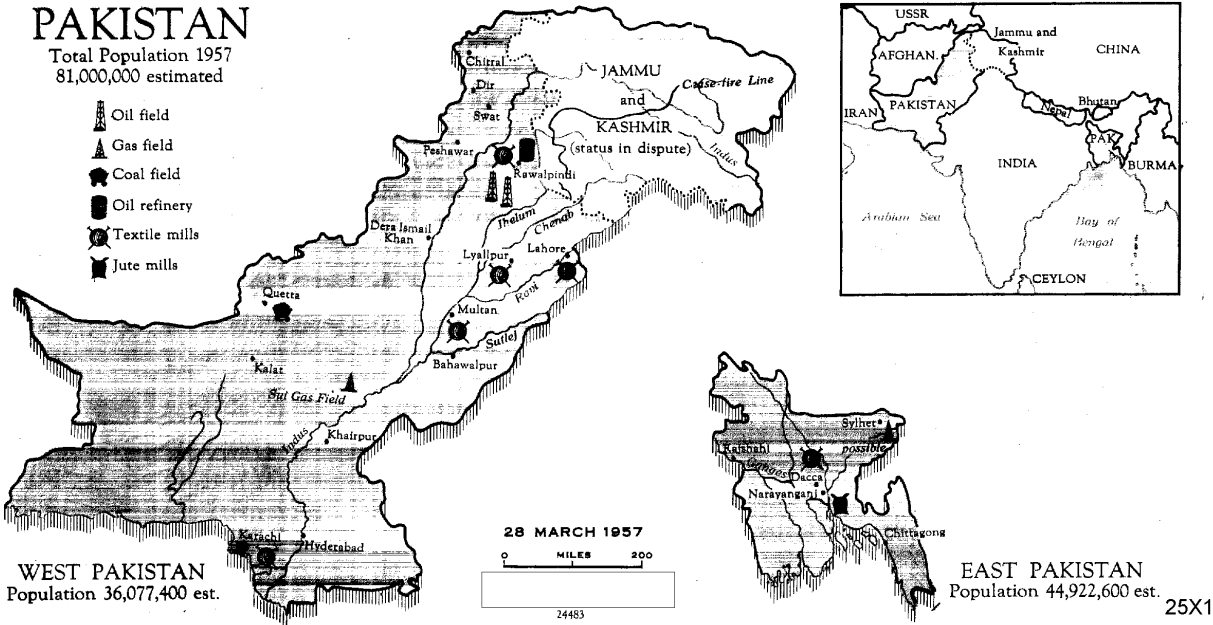
of approximately 15 ounces of grain a day.

The grain harvest, large enough in the first years after partition to permit small exports, fell sharply from 1950 to 1953, chiefly because of drought in West Pakistan and the shift of some land to jute and cotton production during the Korean war. Most officials considered the problem temporary, however.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****28 March 1957****PAKISTAN**Total Population 1957
81,000,000 estimated

-  Oil field
-  Gas field
-  Coal field
-  Oil refinery
-  Textile mills
-  Jute mills

**WEST PAKISTAN**
Population 36,077,400 est.**EAST PAKISTAN**
Population 44,922,600 est.

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Since 1954, Pakistani leaders have gradually come to recognize that their food problem is a chronic one. They expect to import 1,257,000 tons of grain valued at \$129,150,000 in the year ending in June 1957. While the foreign exchange cost of this grain will be only \$49,350,000 since most of the grain is supplied for rupees by the United States, even this is a major drain on Pakistan's foreign exchange holdings and a major burden on its already overloaded transportation system.

In addition, since the imported grain is more expensive than locally grown grain, the government has subsidized it in an attempt to hold prices down. This subsidy cost the government over \$40,000,000 last year, a major portion of the budget deficit. While agricultural production for the year ending in June 1957 should be significantly better than in the past two years, it will not be high enough to eliminate the need for sizable imports.

The major reason agriculture has failed to stay ahead of population growth has been the lack of any comprehensive agricultural development plan. Since little has been done in the way of land reform, the peasant has little incentive to expand production. The amount of land added to cultivation by various irrigation schemes appears to be less than the amount that has gone out of production because of waterlogging and salinity. The agricultural extension service has not been developed to the point where modern techniques of farming can be taught to the individual farmers, with the result that yields are extremely low.

Foreign Trade

While the degree of dependence on raw jute and cotton exports is falling as Pakistan's exports become more diversified, the country continues to derive nearly three fourths of its foreign exchange earnings from these two products whose price

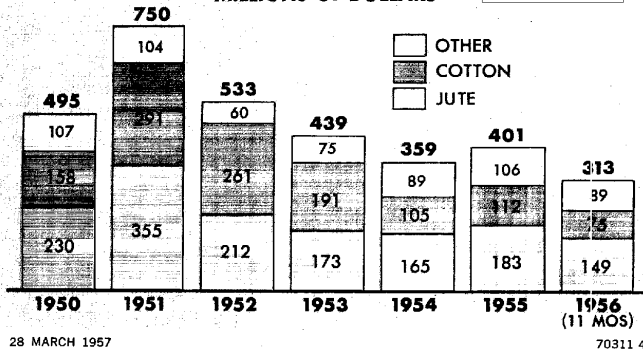
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CURRENT INTELLIGENCE WEEKLY SUMMARY

28 March 1957

PAKISTAN EXPORTS
MILLIONS OF DOLLARS



28 MARCH 1957

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fluctuates widely on world markets. Earnings from these exports reached \$644,812,000 in 1951 because of the Korean war boom, but by 1954 they had fallen to \$270,217,000, forcing Pakistan to cut imports of consumer goods severely.

Following the devaluation of the Pakistani rupee from 30.5 cents to 21 cents on 31 July 1955, export earnings rose moderately. By continued restriction of imports, the government built up its foreign exchange reserves from the dangerously low figure of \$210,147,000 in October 1955 to \$292,866,000 at the end of June 1956. These reserves fell to \$261,005,000 by the end of 1956, however, because of a slowdown in jute and cotton exports and large-scale imports of food grains. The foreign exchange reserves would have fallen even more rapidly had it not been for the delay in the arrival of imports caused by the closing of the Suez Canal, as letters of credit outstanding at the end of 1956 were \$46,200,000 higher than at the end of 1955.

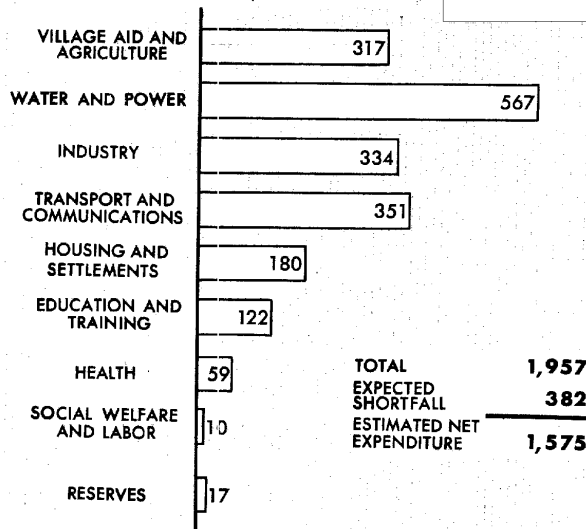
1955-60 Five-Year Plan

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To work toward a more balanced economy, the government set up a planning board in July 1953 to develop a comprehensive plan for the period 1955-60. Because of inadequate statistics, as well as widespread disagreement regarding many aspects of the plan, the board did not finish its draft plan until May 1956. As amended by the National Economic Council after considerable controversy over the respective shares of East and West Pakistan, the plan now calls for expenditure of \$2,268 billion, of which the government was to spend \$1.575 billion and private investors \$693,000,000.

The planning board estimates national income will rise by about 15 percent during the plan period, which would

PAKISTAN
PLANNED GOVERNMENT EXPENDITURES
MILLIONS OF DOLLARS



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28 MARCH 1957

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

28 March 1957

mean a per capita increase of about 7 percent in view of the expected population increase. The plan calls for a 13-percent increase in food grain production and a 71-percent increase in industrial production by 1960 as compared to 1954, the last full year before the plan.

The planners estimate that total public and private savings during the period of the plan will amount to about 16 percent of the country's gross national product, or \$1.386 billion, of which \$210,000,000 would be public savings and \$1.176 billion private savings. This would leave a gap of \$882,000,000 to be filled by foreign assistance, of which \$84,000,000 is to come from private foreign investment, and the remaining \$798,000,000 from foreign loans and grants.

Outlook for the Plan

Despite the delay in approving the plan, funds have already been appropriated for some of its projects. The government has allocated \$186,690,000 for economic development in the 1955-56 budget, \$234,696,000 in the 1956-57 budget, and \$337,491,000 in the budget for the fiscal year beginning on 1 April 1957. While there probably will be a lag in the actual expenditure of these funds, the increased allocations show the rising tempo of economic development. Industrial production, scheduled to increase by 71 percent, was 40 percent above the pre-plan level in 1956 and is likely to be above plan goals in 1960. Agricultural development has been neglected to date, however, and this neglect indicates that it will take six or seven years to reach the agricultural production target.

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COMMUNIST CHINA'S RAILROAD SYSTEM

The Chinese Communists have moved with great energy to improve the 14,000 miles of badly deteriorated railroad they took over from the Chinese Nationalists in 1949 and have extended the rail system into parts of the country never before served by modern means of transportation.

Construction Program

China's 1949 rail net totaled roughly 14,000 miles of trunk line, concentrated in the eastern part of the country and in Manchuria. Most of this

had been built with foreign capital to connect ports with inland markets, or, in the case of Manchuria, as an instrument of Russian and Japanese penetration. A great part of the system was dismantled or badly damaged during the Japanese war and the civil conflict which followed.

From 1949 to the end of 1952, Peiping's primary effort was directed to the rehabilitation of this net. Particular emphasis was put on the north-south trunk lines and, during the Korean war, on rail

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

28 March 1957

connections between Manchuria and the USSR. Three major new lines were finished by the end of 1952, including a strategic line to the Indochina border which accelerated the movement of materiel to the Viet Minh during the Indochina war.

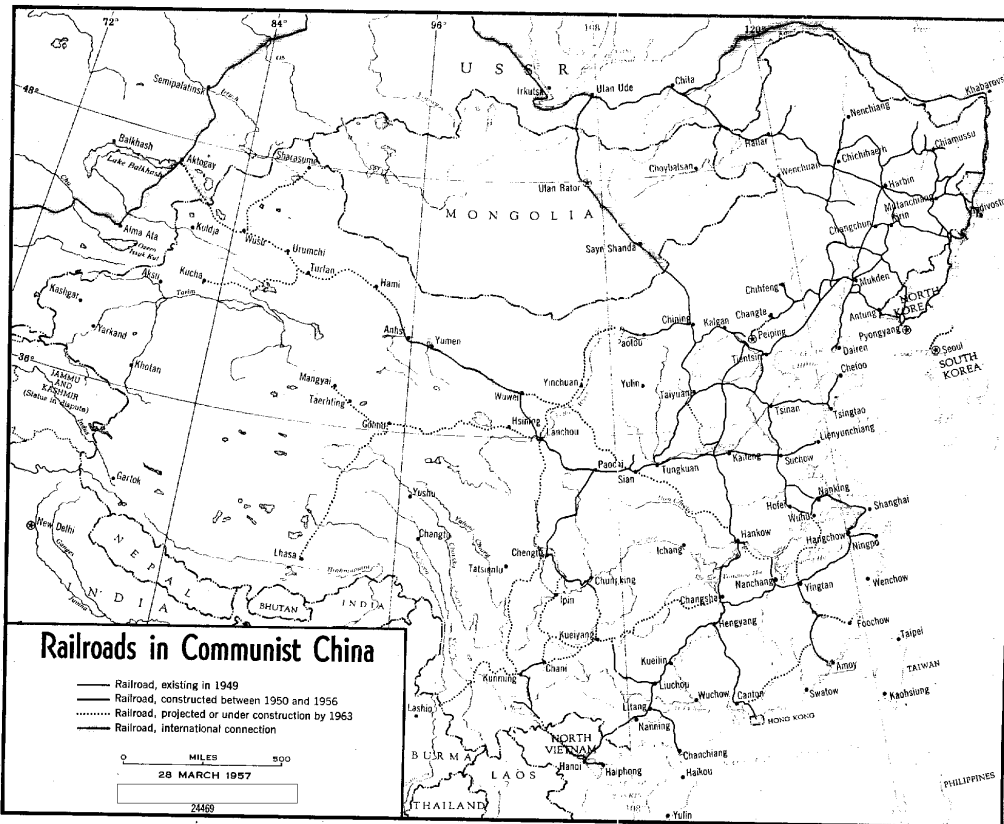
First Five-Year Plan

The original goal for construction during the First Five-Year Plan (1953-1957) was 2,550 miles. In the first four years of the plan, however, more than 2,700 miles were completed. Only 375 miles are scheduled to be added during the current year.

The Trans-Mongolian line, joining Ulan Bator with Chining, was opened to traffic in late 1955, providing an additional link with the USSR some 700

miles shorter than the route via Manchouli. The new route extends Soviet broad-gauge track to the Chinese transloading point at Chining and is the only broad-gauge line in China. It forms the northernmost link in what will eventually become a north-south trunk system some 600 miles inland and extending from Outer Mongolia to the Indochina border via Paotow, Lanchow, Chengtu and Kunming. This inland axis may be completed by 1960. The line already provides China with a ready avenue for increasing its influence in Outer Mongolia, since the 1920's a ward exclusively of the USSR.

Two important strategic links between the existing Chinese system and southern coastal areas have been completed. The first, the Litang-Chanchiang (also known as Fort



SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

28 March 1957

Bayard or Tsamkong), was finished in mid-1955. It serves an important strategic airfield at Suichi and the port of Chanchiang, which is being developed as an alternate to Canton and Hong Kong. The second, the Yingtang-Amoy, was completed in December 1956 and will be officially opened to traffic shortly. This line, together with a branch to Foochow which may be operating within the next several months, greatly increases the Chinese Communist logistic capabilities in the Taiwan Strait area, and will aid in the exploitation of Fukien's economic resources.

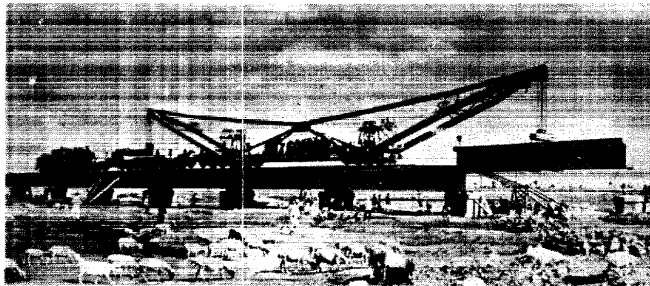
Construction was begun on other important projects, the most noteworthy from a strategic and economic point of view being the Trans-Sinkiang line. This will extend from Lanchow through the Kansu corridor, across Sinkiang Province to the USSR border and on to Aktogay, where it will connect with the Soviet Turk-Sib line. By mid-1956 the line had given China its first rail access to Yumen, the nation's largest producing area of natural crude oil (more than 500,000 tons in 1956). By the end of the year it was nearly half finished, having reached almost to the Sinkiang border. Some track was put down on the Soviet side.

The 1957 program calls for the laying of only 22 miles of track, which amounts to a virtual abandonment of the project for the year. Since work teams probably are already active within Sinkiang, however, it is likely that this target will be overfulfilled. The entire line could be completed in late 1958 or early 1959. It will have a tremendous impact on the opening of China's far west, par-

ticularly in the exploitation of rich oil deposits found there.

Construction of a double-deck, rail-highway bridge over the Yangtze River at Wuhan is the largest bridge project ever undertaken in China. Scheduled for completion late this year, the bridge will remove the chief bottleneck to rail movement between Peiping and Canton.

With over 1,000 miles of new line completed in 1956, Peiping is planning to add only 375 miles during 1957. This includes 200 miles on the Paotow-



Chinese Communist Heavy Crane For Placing Bridge Girders.

Lanchow line and completion of the Pisechai-Hokou, and the Wuhan-Tayeh lines as well as a number of minor service and forestry railroads.

Pre-1949 Lines

The notable achievements of the Chinese Communists in new line construction and their ambitious plans for the future should not obscure the fact that the pre-1949 lines are being pressed hard to meet the sharply increased traffic demands posed by the nation's rapid industrial growth. Fundamental limitations which developed after 1954 were ones of track and yard capacity rather than shortages of motive power and rolling stock.

Congestion, which became quite serious in the second

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

28 March 1957

half of 1956, is still local. Hardest hit were the lines leading north and west of the important junction of Chengchow. While this condition is expected to continue and perhaps worsen, the Chinese have recognized the problem and are taking steps to remedy it.

The First Five-Year Plan goal for double-tracking was increased during 1956 and, by the end of the year, 500 miles of line had been double-tracked. Work was undertaken during the year on nearly 160 miles of double-track leading out of Chengchow.

In 1957, three fifths of the scheduled investment of the Ministry of Railways is to

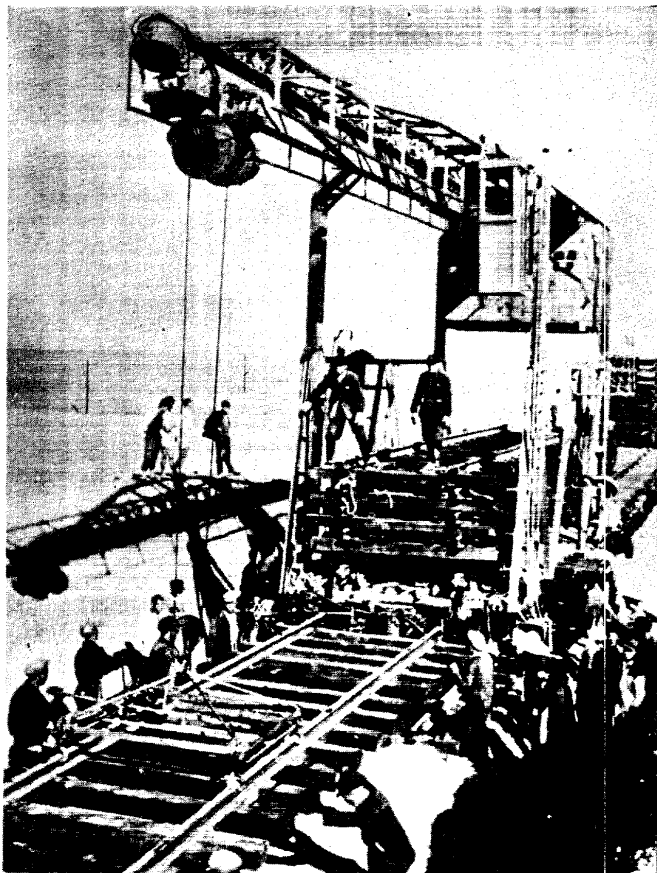
be spent on improving the freight-carrying capacity of the older lines. The year's program includes reconstruction of some lines, 375 miles of double-tracking, expansion of yard facilities, installation of automatic signaling devices, and procurement of additional engines and freight cars. During the Second Five-Year Plan, a thorough rehabilitation of existing lines will be undertaken, highlighted by the double-tracking of the entire length of the Peiping-Wuhan railroad.

Second Five-Year Plan

Proposals presented to the eighth party congress in September 1956 called for the construction of from 5,000 to 5,600 miles of new track during the Second Five-Year Plan (1958-1967). Among the projects to be finished by 1962 are lines between Chengtu and Kunming, Hunan and Kweichow, Lanchow and Paotow, Neichiang and Kunming, Lanchow and the Tsaidam Basin, as well as two branch lines designed to serve potential oil fields and other economic installations in Sinkiang. Work will also be undertaken on a connection between Wuhan and Wuwei via Sian, and perhaps on one leading southward from the Tsaidam Basin to Lhasa, Tibet.

Construction-Equipment

The over-all quality of construction has been, and will probably continue to be, good. Defects have occurred; e.g., the official opening of the Paochi-Chengtu line was delayed more



Chinese Communist Machine For Laying Prefabricated Track Sections.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

28 March 1957

than six months while extensive sections were reconstructed. Such difficulties and delays as have taken place can generally be traced to rugged terrain and the concomitant engineering problems, bad weather, and too much haste in trying to meet construction targets.

The USSR has given generously of guidance and advice and the Chinese have been apt pupils. Basically, however, the tremendous strides taken by the Chinese in rail construction can be attributed to Peiping's extremely skillful use of hundreds of thousands of corvee laborers, assisted by a relatively small number of specialized persons from the

railway engineering divisions of the army.

Figures released by the Chinese Communists show that China in 1956 was producing about 65 percent of the net additions to its motive power and rolling stock inventory. Output has consistently run behind goals, however, and China will probably have to continue to rely on other countries to supply some of its needs. Since 1953, production of rolling stock has been shifted to the building of tank cars and 50-ton freight cars. In 1956, China produced 184 locomotives and 6,687 freight and passenger cars; goals for 1957 call for the production of 160 locomotives and 6,800 cars.
(Prepared by ORk)

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